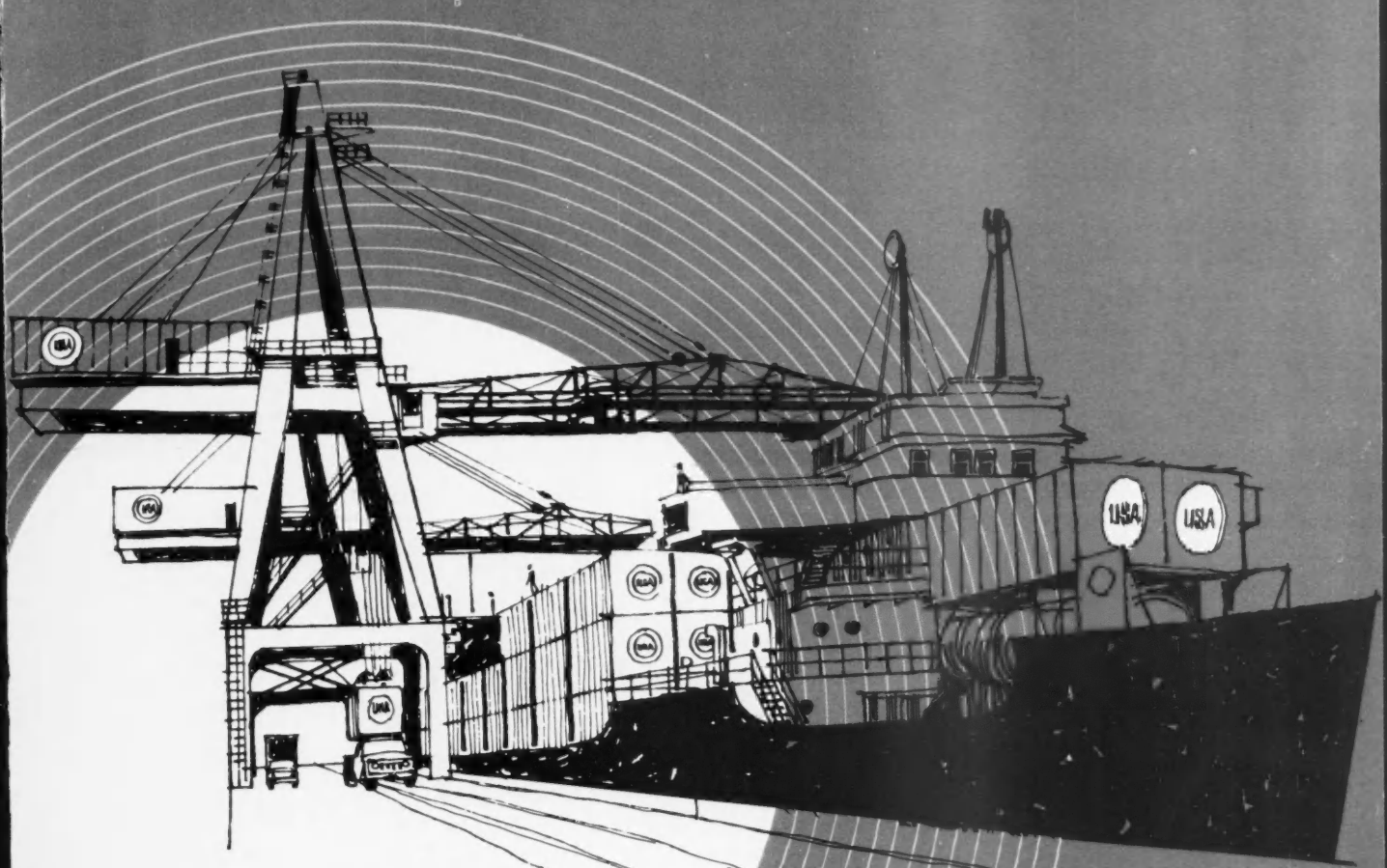
Commerce Today

AUGUST 4, 1975



WORLD TRADE OUTLOOK

Exports Can Speed Recovery

Today's economic news, while increasingly encouraging leaves much to be desired. Unemployment remains high, and capacity utilization rates in industry continue well below normal. This means that, with a stronger demand situation, U.S. industry could be producing much more than it is turning out now.

We are seeing signs of an upsurge in domestic demand, and the beginnings of a healthy turnaround in our economy. I am confident this will continue, and that we are on our way toward full economic recovery.

There are many ways to speed the process of recovery. One frequently overlooked way is through increased exports. It has been estimated, for example, that more than 2.5 million workers in this country are directly employed in the production of export goods. Every time we increase exports by a billion dollars we probably add at least 50,000 new jobs to the American economy.

For many manufacturers, exports have been the key factor sustaining production and job levels. Rather than cut back in response to declining domestic demand, they sought out additional foreign markets to absorb the excess. There are valuable lessons to be learned from these export-minded companies—lessons which can help other American firms more quickly to restore their operations and workforce to full capacity levels. A basic one is the recognition that not all countries abroad are in the same economic boat as the United States. As this very issue of *Commerce Today* demonstrates, many countries are enjoying good growth and development, and offer excellent potential for increased U.S. exports. In some, such as the oil-producing countries, demand for U.S. products is at an all time high.

Even in countries hit by recession, imports from the United States often represent a better buy than purchases from other sources, including from local suppliers. In part, this is due to the favorable exchange rates for the dollar, which have greatly enhanced U.S. price competitiveness abroad in recent years. In other cases, foreigners may prefer to buy American because our products are more technologically suited to their needs. Whatever the reasons, the opportunities are there.

Recently the Department of Commerce requested the U.S. Foreign Service to identify export opportunities for 36 recession-hit U.S. industries in 46 countries around the world. The results are impressive. Specific recommendations are available on over 300 product/market possibilities in capital goods, and more than 100 product/market possibilities in consumer goods.

Exports, of course, are not a miracle answer to all business problems. Selling the export market requires care and concentration.

This is where Commerce Department specialists can help.

The Department has a treasury of data on every foreign market, ranging from cultural factors that influence the way business is done, to the details of tariff provisions and requirements for other import documentation.

The Department has in-depth foreign market research available on a number of major American industries, and can advise the U.S. businessman on specific "best-sellers" in a wide range of goods from machine tools to electronic manufacturing equipment.

The Department can help guide the new exporter through certain vital steps, such as selection of a distributor, with everything from trade lists to identifying prospective agents/distributors for a product line in a particular country.

Finally, the Department can help in any one of a number of other ways—as a member of an industry trade mission, through the medium of a catalog show, as an exhibitor in a U.S. trade center abroad or in a foreign trade show.

All of these services are as close as the nearest U.S. Department of Commerce district office—43 of them throughout the country.

The first step is up to you. It is a step that will help speed the recovery we are all working toward.

Rogers C.B. Morton

Commerce Today

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COVER: *Massive 1975 movement of more than $200 billion in goods needs modern equipment at U.S. ports. This special semi-annual World Trade Outlook issue reviews economic trends, U.S. sales prospects in every major trading nation.*

Real GNP Levels Off In Second Quarter; Final Sales Show First Gain Since 1973

Economic Highlights is prepared by James L. Pate, Assistant Secretary of Commerce for Economic Affairs.

The nation's production of goods and services held approximately unchanged in real terms in the second quarter, following five consecutive quarterly declines. Final sales increased at an annual rate of more than 3 percent in the second quarter—the first rise in a year and a half—but the gain was balanced by the largest inventory liquidation ever recorded.

Nearly all of the strengthening in final sales occurred in personal consumption expenditures. These increased at an annual rate of 6.2 percent in the second quarter, against 2.5 percent in the first quarter and a 13 percent drop in the fourth quarter. The second quarter acceleration occurred in nondurable goods and services; durable goods sales had already rebounded vigorously in the first quarter, mostly because of the effects of the rebates paid to automobile buyers by auto manufacturers. In the second quarter, sales of furniture and household equipment also began to recover strongly.

This improvement in consumer buying reflected gains in real incomes. Real personal income after taxes had declined an average of 1 percent per quarter for five quarters. In the second quarter, however, it increased by 5 percent. The sharp rebound was due partly to a slowing of the rise in prices of consumer items, from a 12½ percent annual rate last year to 5 percent in the first two quarters of this year. At the same time, the average rate of increase in disposable personal income so far this year has been twice as great as last year's average increase, because of the social security bonus payments, the income tax rebates, and the reductions in tax rates. Even if there had been no special government payments and tax cuts, a slight gain in purchasing power would still have occurred in the second quarter. This mainly reflected a resurgence of wages and salaries in the April-June period, after a drop in the first quarter of the year.

The major part of the increase in income from the various government payments during the second quarter was saved rather than spent. Of the total $63 billion rise in disposable personal income in the second quarter, $38 billion was saved while $25 billion was spent. The bonus payments, tax rebates, and tax rate cuts together added $46.3 billion to disposable incomes in the second quarter. The saving rate rose from 7.5 percent in the first quarter to 10.6 percent in the second—the highest since early 1946, when consumer goods were very scarce.

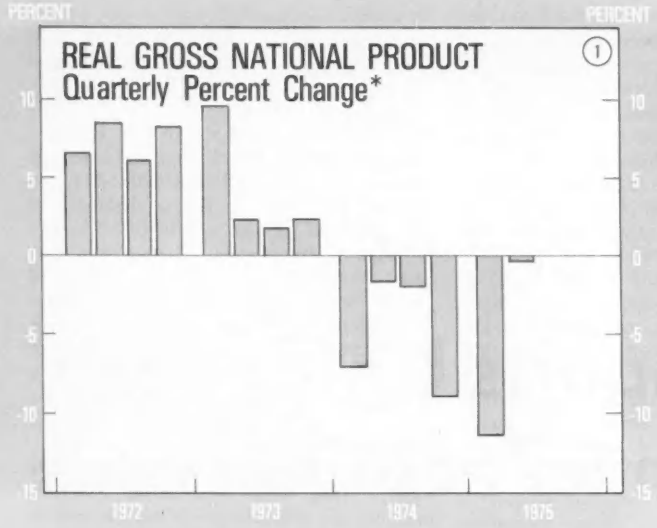
Even though there will be no further payments of tax rebates and social security bonuses in the third quarter, so that incomes may drop, it is still possible that real consumption could rise further. This is because consumers spent a relatively small portion of their additional income in the second quarter. In the third quarter, the proportion of income they will spend should return to more normal levels. At the same time, the second quarter reduction in tax rates will have a further effect in increasing disposable personal income in the next quarter because in the second quarter the rate reduction was in effect for only the last two months of the period.

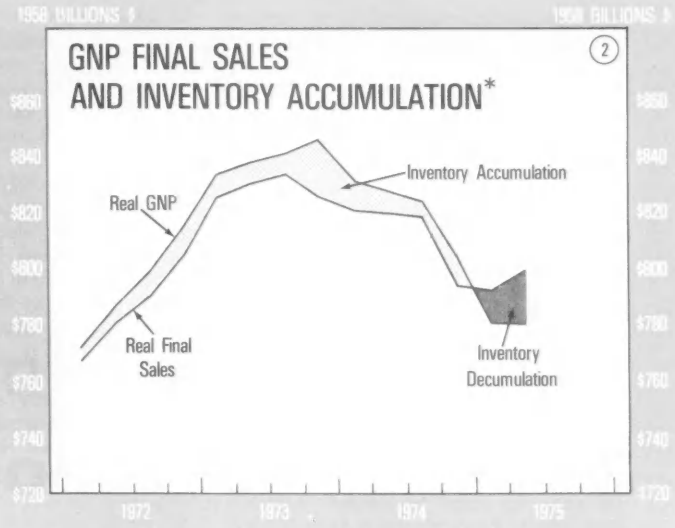
Business fixed investment outlays continued to drop in the second quarter. The rate of decline, however, was far less than it had been in the previous three quarters, mainly reflecting the trend in outlays for producers' durable equipment. Investment in business structures, on the other hand, has been falling rather sharply since the beginning of the year. Business investment normally continues to decline for a time after the economy has begun to recover, because of the large excess of productive capacity in a recession, lower corporate profits, and the time required to plan and undertake new capital projects.

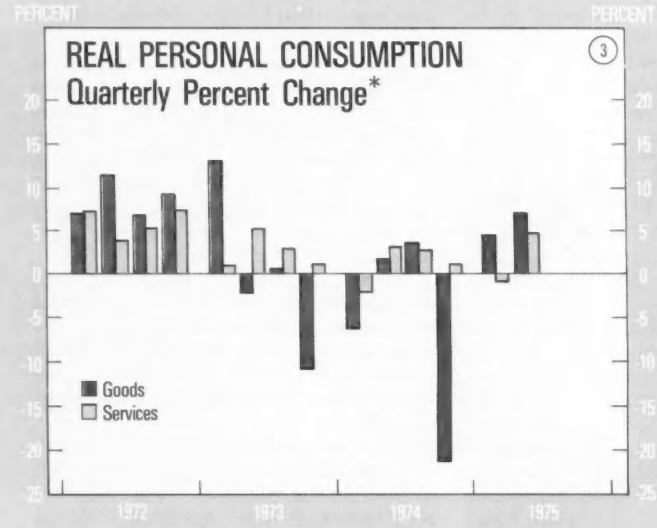
Residential building leveled off in the second quarter after two years of decline. The trend in housing construction is very sensitive to conditions in the mortgage markets, which now appear to favor further construction gains. The net volume of savings flowing into savings and loan institutions totaled a record $16.3 billion in the first five months of this year, or nearly 3½ times the total for all of 1974, when money was very tight. These institutions have increased their commitments for mortgage loans by $2.5 billion or 20 percent between January and May this year, after a reduction of $8.6 billion during the previous two years. On the unfavorable side, however, are the very high interest rates demanded on mortgages. These have been holding around 9 percent since March, although they are nearly a full percentage point below their peak last Fall. In addition, the median price of new homes sold has risen 12 percent in the past year, to $39,900 in May; the median family income last year was $12,840.

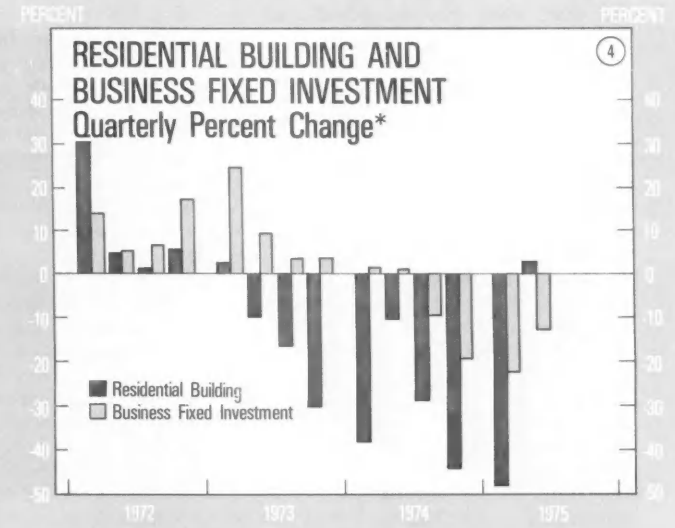
The extremely sharp reduction of business inventories in the second quarter at an annual rate of $18.8 billion (in 1958 dollars) is likely to taper off during the rest of this year. In all previous postwar recessions, inventory cutbacks halted and accumulation resumed as soon as the recovery set in. This time, however, the amount of excess inventory is apparently much larger than in previous recessions, so that a turnaround from heavy decumulation to accumulation may not occur as quickly. Although the ratio of business inventories to sales came down sharply in the second quarter, it would need to drop at the same rate for one more quarter before it reached the level of the fairly normal years of 1968 and 1969.

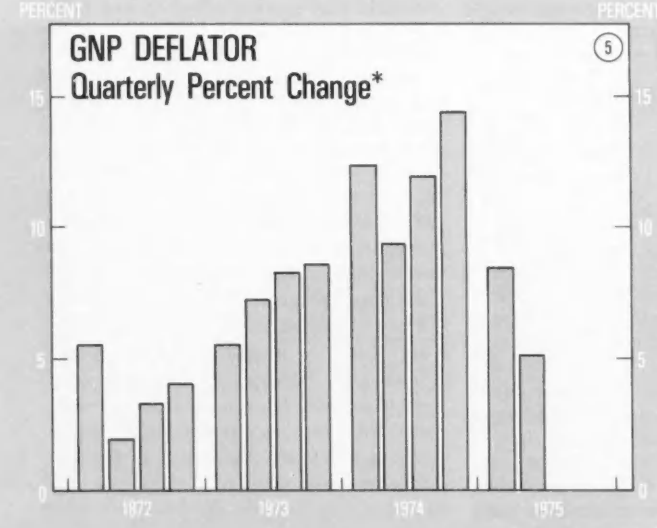
The amount of inventory decumulation in the second quarter was equal to 2.4 percent of the real gross national product. This means that when the inventory reduction ends, the current output of goods and services will have to increase by 2.4 percent merely to meet the present level of demand. This amount of stimulus to current production provided by the ending of inventory liquidation is about twice as large as in 1958, the most severe previous postwar recession.

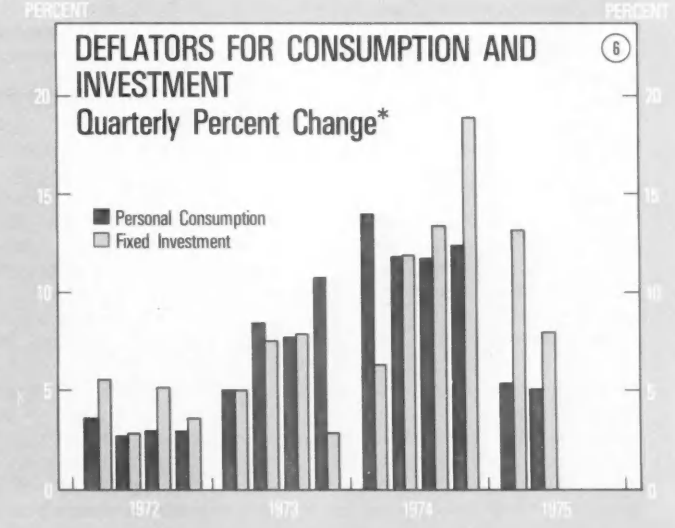

PERCENT
PERCENT
REAL GROSS NATIONAL PRODUCT
Quarterly Percent Change*
1
10
5
0
-5
-10
-15
1972
1973
1974
1975


1958 BILLIONS $
1958 BILLIONS $
GNP FINAL SALES
AND INVENTORY ACCUMULATION*
2
$860
$840
$820
$800
$780
$760
$740
$720
Real GNP
Inventory Accumulation
Real Final
Sales
Inventory
Decumulation
1972
1973
1974
1975


PERCENT
PERCENT
REAL PERSONAL CONSUMPTION
Quarterly Percent Change*
3
20
15
10
5
0
-5
-10
-15
-20
-25
Goods
Services
1972
1973
1974
1975


PERCENT
PERCENT
RESIDENTIAL BUILDING AND
BUSINESS FIXED INVESTMENT
Quarterly Percent Change*
4
40
30
20
10
0
-10
-20
-30
-40
-50
Residential Building
Business Fixed Investment
1972
1973
1974
1975


PERCENT
PERCENT
GNP DEFLATOR
Quarterly Percent Change*
5
15
10
5
0
1972
1973
1974
1975


PERCENT
PERCENT
DEFLATORS FOR CONSUMPTION AND
INVESTMENT
Quarterly Percent Change*
6
20
15
10
5
0
Personal Consumption
Fixed Investment
1972
1973
1974
1975

*Annual Rate

Commerce Today
Vol. V, No. 22
August 4, 1975

Trade Forecast: Imports Up, Exports To Level, As Economic Pace Quickens

U.S. exports are expected to continue to be sluggish for the rest of the year, while imports should turn up from their first half slump. As the economic recovery abroad is expected to be weak and uneven, demand for U.S. nonfarm products will show little change. Agricultural deliveries, moreover, may decline slightly in value despite substantial grain sales to the Soviet Union. On the other hand, the revival foreseen in U.S. economic activity and the likelihood of further oil price increases by OPEC and other exporters point to a sizable rise in purchases of foreign goods during the second half of the year.

For 1975 as a whole, shipments to foreign markets should rise moderately, while imports will change little from the values recorded last year. These trends would result in a surplus in the $4-6 billion range in contrast to the $2.3 billion deficit in 1974. When imports are measured c.i.f., the balance would still be in deficit.

The problem of estimating the difference between exports and imports, each in the neighborhood of $100 billion, is compounded by the uncertainty in agricultural markets and the yet-to-be-determined level of foreign oil prices later in the year. Further, uncertainties regarding the timing and strength of economic recovery in the United States and abroad suggest that the eventual size of the balance may fall within an even wider range than that indicated above.

Price increases will be considerably smaller for both exports and imports later this year, reflecting the weakening in inflationary pressures throughout the world. In terms of volume, little or no expansion is expected in exports, and imports will decrease again.

For the first six months, exports were running at a seasonally adjusted annual rate of $104.6 billion, 7 percent above last year, while imports declined by 6½ percent to $93.8 billion. Including transportation to U.S. ports, imports reached a rate of $101.2 billion. This turnaround in the trade balance so far this year occurred despite a marked slowdown in the rate of export growth, as imports dropped in response to the deep decline in U.S. economic activity in the early months. If business here revives gradually in the second half as is generally predicted, imports can be expected to expand, although without any strong upsurge. Increases will be concentrated in industrial supplies, principally petroleum, and in consumer goods, the two groups which accounted for most of the reduction in the first half.

The small expansion projected for U.S. exports in 1975 will stem mainly from greater sales to Western Europe, the oil-exporting developing areas, and the socialist countries of Europe. Moderate increases may also be recorded in exports to Canada, but shipments to Japan are to decrease from their 1974 level. Sales to the non-oil exporting developing nations will show little vigor, because of their reduced foreign exchange earnings resulting from depressed demand for raw materials in the industrial nations.

Nonfarm exports to remain flat

The leveling trend foreseen in nonagricultural exports in the second half will result from sluggish demand for most products. Machinery deliveries, which slackened in the first half, are expected to stabilize in coming months. Further growth should occur in exports of oilfield drilling machinery, and telecommunications apparatus could benefit from a large contract with Iran. After dropping sharply in the first half, semiconductor sales may resume their growth. On the other hand, deliveries of construction and agricultural machinery, which climbed sharply through June, may slow in the months ahead as orders on the books are completed. Shipments of computers and parts will continue weak. Machinery exports for the full year could well be only 10 percent higher than in 1974, a fraction of the steep rise in that year.

Automotive shipments to Canada should turn up in July-December, as more parts and accessories are delivered for assembly into cars destined for the U.S. market. Sales to other regions will continue strong, led by truck and bus deliveries to Near East destinations. Higher prices will again contribute significantly to this year's rise in automotive exports.

Second-half sales of civilian aircraft will remain depressed, as a consequence of contract cancellations and delivery postponements. For the year, exports will fall well short of those for 1974, despite the projected increase in jumbo-jet shipments.

With steel production lagging abroad, U.S. coal deliveries should rise less rapidly than in the first half. The total for 1975, however, will substantally exceed last year's $2.4 billion. As a consequence of slack foreign demand, quantities of iron and steel exports will drop well below 1974 levels. Nevertheless, sharply higher prices should sustain the value.

Chemical exports are unlikely to exceed last year's figure. Weakness in organic chemicals (and plastic materials sales will be compensated by gains in those of fer-

Current economic conditions and the outlook for U.S. trade in the majority of countries with which U.S. firms do business are presented on pages 6-48. The 70 regional and country summaries are based on up-to-the-minute reports from U.S. Foreign Service posts and other sources. Data on U.S. trade with selected countries not detailed in separate articles are presented in tabular form on Page 48.

tilizers and inorganic elements. Exports of textile yarns and fabrics will probably be below their 1974 value.

Farm export outlook improves

Based on current supply/demand conditions, U.S. agricultural exports will pick up in the final months, but the 1975 total is expected to fall somewhat below the record $22.3 billion reached in 1974. The reduction will be largely attributable to lower prices, except for wheat and corn, resulting from larger crops in the United States and other producing areas. The decline from last year was expected to be even more severe until the recently announced large sales of grain to the Soviet Union.

Under pressure of increased foreign oilseed competition, soybean exports will continue to decrease significantly. Cotton shipments are also to remain depressed in both volume and value, as least until late in the year when foreign buyers seek to replenish stocks.

Because of the new contracts concluded with the Soviet Union, exports of wheat are expected to show a moderate rise from their 1974 value. Likewise, increased shipments of corn to the Soviet Union could boost these exports somewhat above last year's $3.8 billion.

Upturn seen in imports

Industrial supplies will account for the bulk of the anticipated increase in U.S. imports in the second half of the year. As a result of higher prices expected to be announced by exporting countries later in the year and firmer demand, the value of foreign petroleum imports will rebound from the reduced levels of January-June. For the year, oil arrivals should be in the neighborhood of $26-27 billion, excluding an estimated $2 billion of oil imports into the Virgin Islands for U.S. consumption which are excluded from Census imports. If the exporting countries denominate petroleum prices in terms of the International Monetary Fund's Special Drawing Rights (SDRs), the oil import bill could be even higher. Further price increases for natural gas from Canada will also boost the fuel import bill.

Imports of most other industrial supplies are likely to return to the high levels of the final half of 1974 as manufacturing production expands, stocks are rebuilt, and prices strengthen. Increases for newsprint, chemicals, and most nonferrous metals during the remainder of the year will raise import values over 1974. Purchases of copper, and lumber to the extent construction activity resumes, are expected to grow in the months ahead, but they still will be under last year's totals. Although steel imports will be greater in value for the year, in the second half they will run counter to the upward trend in industrial supplies. High first-half values are not likely to be matched in light of excess domestic productive capacity.

Imports of consumer goods will also record a substantial gain in the final half as demand expands with the growth in income. A key factor in the expected upturn will be increased arrivals of foreign-type automobiles at higher prices, particularly from Japan. Because imports have not kept pace with sales of these cars, which have remained relatively buoyant in the depressed U.S. market, inventories have been depleted. A resurgence in imports is, therefore, likely in the coming months. An advance is anticipated in receipts of cars from Canada, also at higher prices. For the year, the value of automotive imports from Canada should reach last year's level, while those from non-Canadian sources may surpass it.

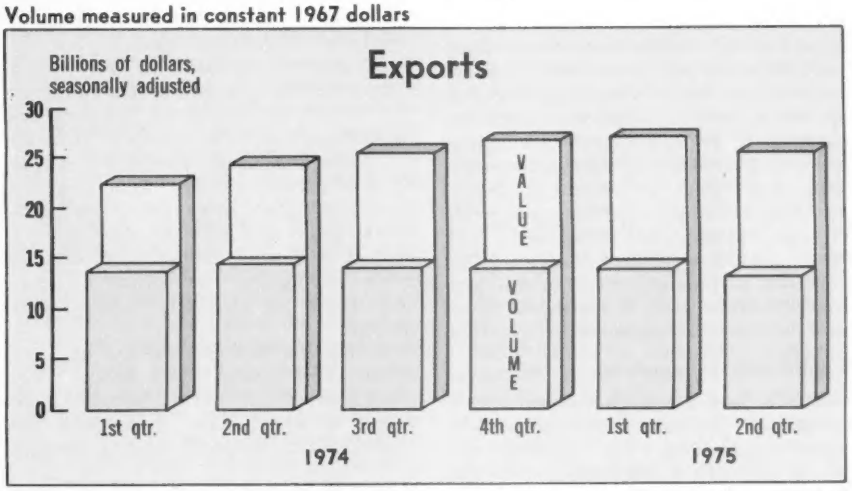
Import increases are also seen in other consumer goods as spending picks up. Despite the second-half revival, the total inflow of consumer goods is not expected to exceed the $25.3 billion level of 1974.

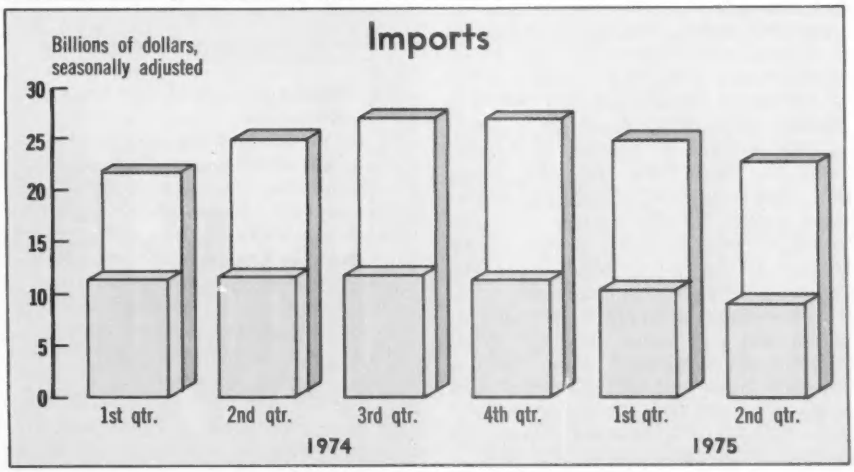
Capital goods imports should show little change from the reduced value of the first half. This leveling is indicated by the latest surveys which show planned capital expenditures to be virtually flat in the latter part of the year.

Food imports are likely to level off in value in July-December, reflecting ample supplies of most commodities at prices under last year's levels. Sugar, the leading food import in 1974, will again total over $2 billion as increases in volume in the second half offset lower prices. Although per capita consumption will continue to drop this year, imports of coffee and cocoa will be higher in the second half as stocks are rebuilt. Plentiful domestic supplies of beef will keep imports at their relatively low first half level.

U.S. Trade Value And Volume Shrink During Recession

Volume measured in constant 1967 dollars





Canada

High Capital Spending Boosts Import Demand

Canadian demand for capital and consumer goods is expected to continue to rise through 1975, reflecting the latest surveys of capital expenditure intentions and of consumer confidence. While price increases will account for some of the expansion, the volume of U.S. exports is expected to continue to grow at a moderate pace, according to Kenneth Fernandez of the Bureau of International Commerce.

A recent survey of consumer buying intentions indicated that the decline in consumer confidence in the latter part of 1974 was halted in recent months in spite of rising unemployment. Consumer attitudes and actual buying plans have been strengthened, reflecting, in part, a growth of disposable income resulting from federal income tax reductions and a slowing rate of inflation.

Real consumer spending on goods and services, other than durables, accounts for about one-half of Canada's GNP. An upward trend in this sector has helped limit the scope of the current recession. Expenditures in this area usually moved up during previous post-war recessions as well, as consumers maintained their spending on "essentials" by reducing their level of saving to 2-4 percent of disposable income and by postponing purchases of some durables. The savings rate fluctuated around 8 percent through 1974, indicating considerable slack in this area which could be used, if needed, to maintain the upward movement in spending.

Capital outlays remain up

Capital investment has remained a strong plus in the generally recessionary economic situation. The negative real growth rate of the last half of 1974 and the first quarter of 1975 has not deterred corporate spending intentions, as revealed in a survey of 200 large corporations released June 2 by the Ministry of Industry, Trade and Commerce (ITC). Rising cost factors have played an important role in increases in planned capital expenditures, more than counterbalancing downward revisions and deferrals due to lower profits, adverse market conditions and the advancing costs of new investments. In many instances, short-term corporate activity is being adjusted to the current economic situation by reducing output and staff rather than by cutting back capital investment. Many projects currently being deferred could be reintroduced should the economic environment improve, as is expected by many observers in the latter half of the year.

Capital spending by all sectors is expected to reach $37.7 billion in 1975, up 13.7 percent over 1974. Outlays for new construction are expected to reach $23.6 billion, a rise of 12.6 percent as compared with 20.9 and 17.2 percent in 1974 and 1973, respectively. A decline in residential construction will be more than balanced by a 21 percent rise in non-residential construction.

Acquisition of new machinery and equipment is expected to total $14.1 billion—15.5 percent over the 1974 level. The ITC survey indicates that manufacturers' spending intentions for 1975 are up 21 percent, slightly better than in 1974. The chemical industry indicates a near doubling of its volume even though some planned projects have been deferred. The energy sector indicates a growth rate of over 20 percent with the most significant improvement in oil and gas pipelines, as well as in mining.

In the first quarter of 1975, gross national product, seasonally adjusted at annual rates, reached $146,849 million. In real terms, however, GNP declined by 1.4 percent from the fourth quarter of 1974, as a recovery in consumer expenditures and some moderation in inflation was balanced by further deterioration in residential construction and in external trade. However, growth was fairly strong during the first quarter with the exception of exports and the rate of inventory accumulation, and final domestic demand, which excludes these two factors, moved up 1.3 percent in real terms on the quarter. Personal expenditures on consumer goods and services were up 3.4 percent at $86,402 million, with durable goods leading the way—rising 6.7 percent from an extremely weak fourth quarter.

During the first five months of 1975 global imports were $14.3 billion while exports were $13.2 billion, yielding a trade deficit of $1.1 billion. Trade with the United States produced exports through May of $8.8 billion and imports from the United States of $9.6 billion, resulting in an $812 million deficit, nearly three-quarters of the total deficit. In 1974, January-May exports to and imports from the United States were in balance at $8.6 billion. Price increases accounted for most of the rise in trade this year; however, some volume increases have been made.

In May, the United States accounted for 65.7 percent of total Canadian imports, up 2.3 percent over May 1974. Major increases occurred in new cars and motor vehicle parts, whereas significant decreases were recorded in plastic materials, steel, aircraft and computers. The United States took 61 percent of Canada's May exports, down 6.6 percent from May 1974. Notable value decreases in exports to the United States were recorded in lumber and crude oil; increases occurred in natural gas, newsprint, nickel and passenger cars.

In the next few months large sewage processing and solid waste recovery projects and major airport construction and renovation projects hold considerable promise for U.S. exporters. In Quebec, spending on non-durables such as textiles and foods is likely to continue to grow, while opportunities in industrial machinery seem relatively poor. In British Columbia, forestry and mining are in a slump and the market is stagnant, although some capital equipment will have to be replaced. Operating mills and mines will remain good prospects for pollution control equipment. In Vancouver, prospects for business equipment and office furnishings should be brisk and, if tourism holds up, camping and recreational equipment should do well.

Rising costs cause concern

There has been increasing concern over the effect of rising costs of production on the competitive ability of Canadian goods in domestic and overseas markets. Preliminary figures indicate that the average weekly earnings in industry increased 14.3 percent from March 1974 to March 1975, while the consumer price index increased 11.3 percent. Collective labor agreements settled in the first quarter of 1975 provided for average annual increases equal to 16 percent. In one-year agreements, however, the average was 18.6 percent, and in two-year agreements it was 20.2 percent for the first year and 10.9 percent for the second. A record high 9.2 million man-days were lost last year through strikes; far more collective agreements are coming up for renegotiation this year.

A negative reaction by labor and management to a proposal for a voluntary system of wage and price restraints made by the Ministry of Industry, Trade and Commerce was followed by the establishment in June of the Canadian Industrial Relations Council.

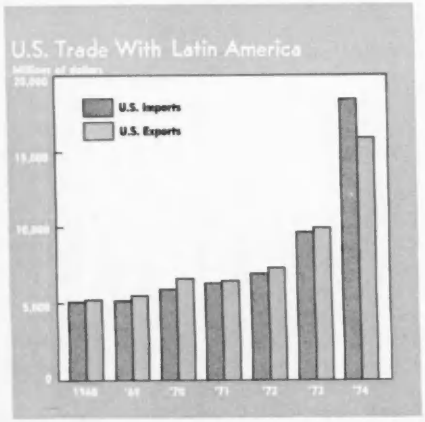
Latin American Economies Depend Heavily On Imports

Distribution Of U.S. Sales Increase Varies

U.S. exports to Latin America and the Caribbean are expected to grow by some 14 percent overall, from a total of $15.8 billion in 1974 to $18 billion in 1975. The distribution of this increase will vary greatly, from perhaps a slight drop in the case of Colombia to an increase of 30 percent in the case of Ecuador. It is expected that American exporters will hold their share of the market in most countries, with perhaps an increased share in some.

As could be expected, the greatest increases will be in those markets blessed in some way with "black gold"—petroleum. U.S. exports to Venezuela should rise by 22 percent, to $2.2 billion. Ecuador will take perhaps 30 percent more, reaching $425 million. The petroleum processing countries of Trinidad and Tobago and the Netherlands Antilles will increase imports of U.S. goods by 22 and 15 percent, respectively. Our traditionally largest trading partners, Mexico and Brazil, will also show very respectable increases, based on their continuing overall economic development. Mexico is expected to buy 15 percent more, for an increase of $730 million, and Brazil should be a better market by about 10 percent, or some $311 million. Sales to the Central American area, hit sharply by the petroleum squeeze, will increase by only about $93 million, less than 7 percent. The Argentine market, in the midst of uncertainties, will probably expand only very slightly, while Colombia may reduce its imports.

The value of total global imports of the region has been increasing and will continue to do so. The increase expected in 1975 will not be nearly as great as in 1974, but much of that incredible increase was caused by skyrocketing prices for fuel, and sharply rising costs of food and manufactured goods resulting largely from the worldwide inflationary pressures of petroleum prices. That sudden, heavy burden aggravated the balance of payments problem of the region, reversed the trend toward favorable trade balances for some countries, and reversed the regional trend toward expanded monetary reserves. These were further affected in some cases by declining export prices for certain commodities.



In spite of these adverse factors, however, the economies of the region in general continue to grow. The fact that the region has been able to recover from the shock of last year's price increases, and continue to expand, indicates the maturity of its economic development. The effects of the increased cost of basic imports naturally has been different in each country. The several which export petroleum or process it in large quantities for reexport have been given further impetus; those which must import most or all of their petroleum and fuel requirements, and which depend on a few basic commodities for their export earnings, have been hit hard. Between them are the countries which depend only partially on imported energy.

The whole area has been hit, of course, by inflation. In some cases this has been due to local factors even more than global ones. This will undoubtedly cause some countries to try to reduce the rate of increase of unnecessary foreign exchange expenditures, through more stringent import and credit controls. The regional desire for continued economic growth, however, will assure an expanding market for U.S. capital goods and prime materials.

The global inflationary trends have actually benefitted some U.S. exporters to a degree, since they have placed them in a more favorable competitive position compared with Japan and some European suppliers.

U.S. interest in investment in the area continues high, especially in manufacturing industries. In spite of increasingly restrictive regulations regarding percentage of foreign ownership and the like, the area is still very attractive to firms willing to adapt to new forms of cooperative operation and adjust to the new developments.

In addition to a permanent Trade Center in Mexico City, Department of Commerce trade promotion in Latin America during the next 12 months includes fairs in Brazil and Venezuela plus several trade missions, sales seminars and catalog shows.

ANCOM

Imports Remain Strong Despite World Slump

U.S. exports to the Andean Common Market countries in 1975 will increase at a higher rate than overall exports to Latin America. Total exports to the six-country area should reach $4.6 billion. Venezuela continues to present the largest and most diversified market for U.S. products, followed by Peru, Colombia and Ecuador. Chile has instituted a severe austerity program and Colombia has cut total imports by 6 percent. The largest percentage increases will be registered in Venezuela, Ecuador and Peru, adds Thomas K. Brewer of the Bureau of International Commerce.

Bolivia. U.S. exports should reach $120 million in 1975, compared with $105 million in 1974. Imports are relatively free from restrictions and a wide range of goods is importable, including consumer goods. Import duties were sharply reduced early this year on household appliances and motor vehicles, among others. The capital goods and technology for new investments by the government in mining, natural gas, railways and other areas must come from abroad and the United States is in excellent position to supply these needs. Bolivian exports will be at sufficiently high levels to maintain the expected moderately high import levels.

The Bolivian Government published recently its public sector investment plan for 1975. It calls for 394 public sector projects involving a total investment of $892 million, with emphasis on development of hydrocarbons, transportation, mining and metallurgy, agriculture and industry.

Chile. U.S. exports to Chile averaged $50 million monthly during January-May 1975, but will not remain at this level during the remainder of the year. The Chilean Government introduced a severe

austerity program in April to sharply cut effective domestic demand, and bring chronic inflation under control. Government spending will be cut 15-25 percent, including a reduction of $50-60 million in public sector imports. Other measures are also expected to reduce demand for imports and alleviate balance of payments pressures. U.S. goods continue to be popular and highly competitive. However, in view of the current austerity program, flexible credit terms are indispensable for successful selling. U.S. sales may reach $500 million during 1975 compared to $452 million in 1974.

Colombia. U.S. exports to Colombia may decrease slightly during the remainder of 1975 due to Colombian austerity measures instituted to combat an economic slowdown which began in mid-1974. Financial and industry sources report that new investment continues to be postponed. Capital goods import license applications have dropped sharply, and total import registrations were down 6 percent in the first five months of 1975. The government still hopes to hold inflation to a yearly rate of 20 percent. On the positive side agricultural production appears headed for a higher than average increase in 1975 and non-traditional exports are improving slightly over 1974.

U.S. exports will probably drop slightly to $650 million. However, U.S. suppliers have good opportunities to increase exports to Colombia if appropriate actions are taken in order to take advantage of present developments in both the industrial and hydroelectric fields. Excellent market prospects exist for such diverse products as electric energy systems; tractors; sugar mill machinery; refrigeration equipment; food processing and packaging equipment; grain cleaning, drying and storage equipment; industrial instrumentation for the chemical industry; earthmoving and mining machinery; and telecommunications equipment.

Ecuador. U.S. exports should rise to $425 million in 1975, as compared to $326 million in 1974. Total imports nearly tripled between 1972-74 and continued to rise at a high rate in early 1975. Petroleum exports are at the heart of Ecuadorian growth and the general economic boom. Substantial demand exists for a wide range of goods, especially building and highway construction machinery and equipment, water and sewerage facilities, port expansion, electrification, telecommunications and agricultural machinery and equipment.

Economic conditions in the remainder of 1975 will depend in part on whether Ecuador is able to sell its relatively high-priced oil. Petroleum exports were down substantially in early 1975, resulting in a loss of government revenues and declining foreign exchange reserves. A modification in the tax/price structure is expected to alleviate this situation. Meanwhile, imports of motor vehicles are banned until August and domestic credit controls were tightened.

Peru. U.S. exports averaged $82 million monthly during January-May as compared to $54 million monthly during all of 1974. There are indications that the U.S. share of the market is also accelerating.

The Government of Peru and its many agencies constitute the principal market since the state has taken over most existing enterprises. It is virtually the only sector undertaking new investment projects, including those in mining, fertilizers, petrochemicals, steel and metalworking. U.S. manufacturers of mining and construction equipment, food handling and food packaging machinery; machine tools and agricultural machinery should have good sales opportunities. Successful selling is dependent on financing on Peruvian terms which, for shipments of $10,000 and over, require up to five years. The terms for shipments valued at over $1 million must be approved by government authorities.

Venezuela. U.S. exports should increase 22 percent in 1975 to $2.2 billion. Petroleum revenues, Venezuelan Government action on development plans, and liberalized credits for the private sector continue to make Venezuela an excellent market for U.S. suppliers of a broad range of goods and services. The market looks especially bright for agricultural equipment and capital equipment for the metal-mechanical, petrochemical and agricultural and industrial sectors. The Fifth National Development Plan, now under review, calls for imports in these areas to increase about 14 percent per year.

The expected drop in petroleum exports due to government conservation efforts and petroleum use by the petrochemical industry will result in a decline in the trade surplus.

Studies are now under way investigating the possibility of establishing shipyards able to build 12,000-80,000 tankers, and for the maintenance of ships up to 80,000 tons.

A $75 million industrial credit is designed to stimulate private sector participation in metalworking, manufacturing of consumer hard goods, secondary processing in petrochemicals and food processing. In addition to specialized equipment for these sectors, the entire industrial sector and the congested ports should be a good market for materials handling equipment. Hospital construction and improvement programs continue to make Venezuela an excellent market for almost all health care equipment.

Because of the nation's food deficit and resulting heavy expenditures for imports, agricultural development is the number one priority for special assistance in development efforts. The government's $600 million program includes everything from penetration roads to sprinkler irrigation systems; thus a market exists for all types of earthmoving equipment as well as most kinds of agricultural machinery. Funds are available for loans to small landowners as well as the government's infrastructure projects.

ANCOM trade promotion activities

Agricultural development programs in the region have prompted the scheduling of two events—a trade mission to Brazil, Venezuela and Colombia in October 1975 and a U.S. exhibition of agri-business equipment in Venezuela in May 1976. U.S. exporters of general industrial equipment are also invited to participate in the U.S. pavilion at the Ninth Pacific International Trade Fair in Lima, Nov. 12-23. Interested companies should call Brewer at 202-967-2995.

Argentina

Economy Is Slowing; Imports More Costly

The Argentine economy performed fairly well in 1974, with GDP growth rate in real terms at a satisfactory 6 percent. However, with a deteriorating economic situation, a slowdown in the GDP growth rate to 5 percent is now estimated for 1975 by Ferenc Molnar of the Bureau of International Commerce.

Foreign exchange reserves, which followed an upward trend in 1973 and 1974, reaching a record level of $2 billion by mid-1974, declined to less than $1 billion by May 1975, due largely to an accelerated import rate and the settlement of foreign obligations.

In April the government imposed an import "freeze," since relaxed. However, the recent drastic devaluation of the Argentine peso, tighter import controls, and new financing terms set for capital goods imports aimed at correcting the unfavorable trade situation suffered the first quarter of 1975, will significantly increase

the cost of imports. It is now estimated that while 1975 exports will reach $3.7 billion, imports will be $3.4 billion, within the government goal of holding to the 1973 import level plus 12 percent. The U.S. share of the Argentine import market is expected to continue at about 20 percent.

Despite a revival of government investment, the stagnation of private domestic and foreign investment continued in 1974. Last June, the government publicly recognized the positive role foreign technology and specialized foreign capital can and does play in the economic development of the country, indicating greater flexibility in its attitude toward foreign investment.

Despite political and economic policy shifts aimed at restraining inflation, the cost-of-living index increased by 40 percent in 1974 while the wholesale price index rose 70 percent between March 1974 and March 1975. Additional sharp increases in the cost-of-living index are expected, due to an accelerated inflation rate, estimated to be well over 150 percent for 1975.

Best sales prospects for U.S. suppliers should continue to consist of essential production materials, machinery and equipment with high technological content. Sales possibilities are particularly favorable for the expansion of steel production, power projects, petrochemicals, petroleum and natural gas exploration. Other sectors with sales potential are mining, shipbuilding, pulp and paper, food processing, graphic arts and textiles.

The Commercial Section of the U.S. Embassy in Buenos Aires will encourage the participation of U.S. firms at the "Expoingraf '75" Graphic Arts Exhibition, "Expooficina '76" Business Machine Exhibition, and "FIMAQH '76" International Machine Tool Show, all of which will take place in Buenos Aires. Additionally, the U.S. Government will sponsor a technical sales seminar for the steel industry, to take place in February. Catalog shows featuring aviation electronics and food processing are scheduled for April and June, respectively.

In an abortive attempt to restrain inflation and help stabilize the economy, the government in early July rejected union-negotiated industrial wage increases running as high as 130 percent and decreed increases of a flat 50 percent. Organized labor called a general strike which paralyzed the country. The strike ended when the government yielded to labor's demands. The entire cabinet resigned and the President's political household was shaken by the forced dismissal of her closest advisor. The confrontation has plunged Argentina into near chaos, with little indication of an acceptable solution to the crisis affecting the continuance of the Administration.

Brazil

Slight Expansion Seen For U.S. Exports In '75

Last year's sharp increase in U.S. exports to Brazil will level off in 1975 as a result of a slowdown in Brazil's economic growth and the imposition of several new measures to limit imports. However, reports Ken Nichols of the Bureau of International Commerce, continued Brazilian requirements for various types of capital equipment and machinery should enable the United States to maintain its strong market share and expand its exports slightly.

U.S. exports to Brazil are expected to reach $3.4 billion in 1975, while last year U.S. exports jumped to nearly $3.1 billion as compared to $1.9 billion in 1973. This slower growth in U.S. exports is anticipated because the government is hoping to limit overall imports this year to some $12.4 billion (compared to $12.6 billion in 1974) to counter the severe balance of payments problem experienced in 1974.

Brazil has been hard hit by the energy crisis. Due to its dependence on oil imports, the country has experienced a sharp deterioration in its balance of trade position and its trade account swung from a relative balance in 1973 to a $4.6 billion deficit last year. Brazil's import fuel bill, which more than tripled from $770 million in 1973 to nearly $3 billion last year, and a record level of capital goods imports were the major factors in the trade deficit.

While the government is hoping to limit imports, a strong rise is anticipated for Brazilian exports of agricultural and manufactured goods.

Growth in exports and a continued damper on the pace of imports are expected to characterize the trade picture through 1975.

Despite forecasts of a lower growth rate as compared to the previous six years, Brazil's GNP is expected to increase by an impressive 6-7 percent this year. While spiraling price increases drove the cost of living up an estimated 34 percent in 1974, figures through May 1975 indicate government corrective measures are beginning to have some initial success in limiting this year's inflation rate to a range of 25 percent.

Although during the first trimester of 1975 there was a moderate slowdown in industrial output, the capital goods industry is continuing to operate at full capacity with increased orders for heavy machinery. Industrial growth this year is estimated at 7 percent compared to 9.3 percent in 1974.

Confidence in continued political and economic stability under President Ernesto Geisel and his predecessor has enabled Brazil to attract extensive foreign investment, particularly from the United States, Western Europe and Japan. U.S. plant and equipment expenditures are estimated at $1.5 billion in 1975 as compared with $878 million last year which brought total U.S. investment to approximately $4 billion.

To help maintain Brazil's export competitiveness and diminish the current accounts deficit, which is expected to reach $5 billion this year (down from $7.3 billion in 1974), Brazilian monetary authorities continue to employ a "crawling peg" exchange system under which a number of mini-devaluations of the cruzeiro were taken in 1974 amounting to a total of nearly 20 percent. So far this year, there have been six mini-devaluations for a cumulative devaluation of 8.45 percent.

Over $250 billion is projected to be spent on investments for the period 1975-79 under Brazil's Second National Development Plan, the largest portion of which is allotted for economic infrastructure, heavy industry and transportation. U.S. exporters should find numerous sales opportunities under the Plan, which is giving priority to expansion and modernization of steel mills, chemical plants, airports, mining operations, ports, the railroad network, sugar refineries, utilities, telecommunications, agro-industry and tourist facilities. Most of these projects exceed both the manufacturing capacity and technology of the Brazilian capital goods industry.

Scheduled U.S. trade promotion events include a machine tool and metalworking exhibition at the Nov. 20-30 International Metalworking and Electronics Fair in Sao Paulo. Other U.S. products to be featured in trade promotion events in the near future include aviation equipment, business equipment, food processing equipment, agricultural machinery and equipment and pollution control equipment.

Caribbean

U.S. Sales Keep Rising To Meet Wide Needs

U.S. exports to the Caribbean area should increase by 15 percent or better in 1975 and edge over the $2 billion mark, according to Frederic G. Kayser of the Bureau of International Commerce. The increase will be due partly to inflation and partly to strong prices for petroleum, sugar and bauxite plus an infusion of capital for infrastructural and agricultural projects from the international lending institutions.

The oil refining countries, Trinidad and Tobago and the Netherland Antilles, have benefited from the much higher prices for petroleum products, while most of the other countries have felt an added burden on their foreign exchange and reserve positions in trying to meet their energy needs, which are mostly petroleum derived. This situation will continue in the foreseeable future and will necessarily limit somewhat the capacity of those countries to import.

The Caribbean Common Market (CARICOM), in addition to trying to rationalize industry and agriculture throughout the area, continues to pursue the goal of regional air and ocean shipping lines to make area products more competitive and facilitate trade between members. In addition, it is exploring better coordination of the region's central banks and insurance industries. Ways of encouraging regional joint ventures through tax concessions and double taxation treaties have also been discussed. Specifically, a joint effort by Barbados and Guyana to establish a cement plant is being planned presently. As decisions emerge on coordinating production and transportation, opportunities should present themselves for U.S. products and technology. Tariff negotiations with the European Common Market have not been completed and will continue. CARICOM members countries are: Barbados, Guyana, Jamaica, Trinidad and Tobago, Antigua, Dominica, Grenada, Montserrat, St. Kitts/Nevis/Anguila, St. Lucia and St. Vincent.

U.S. Trade With Caribbean

Millions of dollars

Country	Exports		Imports	
	1973	1974	1973	1974
Bahamas	206	253	890	958
Dominican Republic	229	410	308	471
Haiti	77	125	64	112
Jamaica	268	337	176	233
Netherlands Antilles	159	193	738	2,018
Trinidad & Tobago	133	192	410	1,273

Country developments

Dominican Republic. This will continue to be the largest market in the Caribbean for American goods during 1975. U.S. sales are projected at $460 million, a $50 million increase over 1974. The major opportunity will be in construction equipment, the best prospects being motor graders, rollers, excavators, front rollers and concrete mixers. This is supported by major government projects in dams, irrigation, road construction and improvement, and power generation. Agriculture and the tourist industry are also being stimulated.

Jamaica. The area's second major market offers a consistent market for machinery, crude petroleum, chemicals, automotive vehicles and parts, iron and steel and foodstuffs, with $387 million in U.S. sales expected for 1975. The government, supported by international lending, is pushing agricultural development and improved rural roads. Irrigation equipment and food processing machinery are also in demand, as are household and industrial security items. Import restrictions will constrict the consumer goods market.

Trinidad and Tobago. This fast growing economy, supported by high petroleum product prices, may import over $235 million in U.S. goods in 1975 compared with $192 million in 1974. Besides petrochemical and natural gas facilities, energy related industries such as a cement plant, glassmaking and textiles are under strong consideration. Agricultural diversification into vegetable and tropical fruit production plus processing capacity for these offer additional opportunities.

Bahamas. U.S. export projections to this market for consumer and tourist industry goods are $283 million in 1975. Major export opportunities continue for oil refinery equipment, a ship repair facility and equipment for improving water and sewerage facilities.

Netherlands Antilles. This is a very good market for its size, importing $193 million from the United States in 1974 with $222 million predicted for 1975. Established markets exist for U.S. clothing, foods, automobiles and machinery. Demand continues for equipment for materials handling in ports and for petroleum refineries.

Haiti. U.S. sales of $125 million in 1974 are expected to grow to $150 million in 1975; chief developmental emphasis continues to be on roads. Essential imports include edible oils, wheat and pharmaceuticals.

Central America

Area Economies React To Inflation Policies

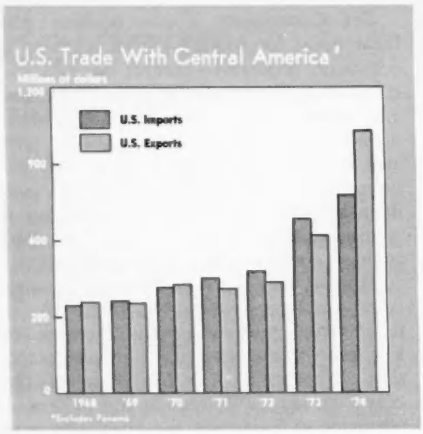
Double-digit inflation, which was a dominant factor within the Central American Common Market (CACM)—Costa Rica, El Salvador, Honduras, Guatemala and Nicaragua—in 1974, continues to be a factor of major concern in 1975. As expected, corrective monetary and fiscal policies, coupled with worldwide recessionary trends, have led to a decline in the region's economic growth rate (estimated at 5.6 percent in 1974). While the dollar value of U.S. exports to the region will increase in 1975, the U.S. exporters' share of the market should remain about the same (approximately 35 percent), according to Walter Bastian III of the Bureau of International Commerce.

The cost-push inflation which was so evident in the region earlier this year appears to be waning somewhat, though purchasing power is generally below what it was a year ago. This inflation resulted largely from the increase in the petroleum bill and other import prices. The negative impact of high oil prices on balance of payments deficits was estimated at $75 million in 1974.

The next six months in the CACM should see a decline in the inflation rate due largely to economic policies designed in late 1974 and early 1975. Estimates of the real growth rate in the individual countries in 1975 vary from almost nil in Honduras, which is still suffering from the disaster of Hurricane Fifi in September 1974, to 5 percent in El Salvador.

The negative economic conditions mentioned above, coupled with lower prices on the world market for agricultural exports such as cotton and coffee, are somewhat offset by some promising signs. Several governments have started searching for alternate crops in an attempt to reduce dependence on traditional agricultural exports. Inventories of goods which were built up and stockpiled late last year are being used up. A Venezuelan plan to lend back, for development purposes, part of what the CACM countries pay for crude oil imports is reducing the strain on the region's payments deficits.

Though economic conditions in the area are less than ideal, there are certain areas in which U.S. exporters appear to have excellent chances for sales to the CACM. These include building supplies and equipment, health care equipment and instrumentation, food processing and packaging equipment, hydroelectric and



geothermal equipment, and communications equipment.

While the issue involving the alleged bribe paid by a U.S. company to Honduran officials has not yet been resolved, it is not expected to pose a barrier to U.S. suppliers to the CACM.

Though regional expectations are high for an integrated CACM, much of the hope rests on the still unresolved dispute between Honduras and El Salvador. However, plans for integration are moving along. A high level committee appointed to work on a revitalized program for integration will have a draft treaty ready for submission to the region's governments by September. The ultimate aim is creation of a Central American Economic and Social Community.

Panama also in turnaround

Panama, while not a member of the CACM, maintains close ties with that group through participation in a number of CACM institutions as well as through bilateral treaties with all market members except Honduras.

Though Panama's economic growth in 1974 dropped to the lowest rate experienced in recent years, there were some hopeful economic signs seen during the first quarter of 1975. Declines in the rates of price increases and trade deficit were evident. The implementation of a government-induced housing program is expected to give the construction industry a boost.

Two matters of considerable importance to Panama's economic future remain pending. Talks with the firm responsible for initial exploration of the large Cerro Colorado copper deposit have been broken off, and the government is now investigating alternatives with other interested parties. Secondly, the Panama Canal negotiations are expected to produce a treaty for ratification by the U.S. and Panamanian Governments.

Trade opportunities in Panama exist in telecommunications equipment; electricity generating, transmission and distribution equipment; and construction equipment and supplies.

Mexico

Growth Commitment Assures High Imports

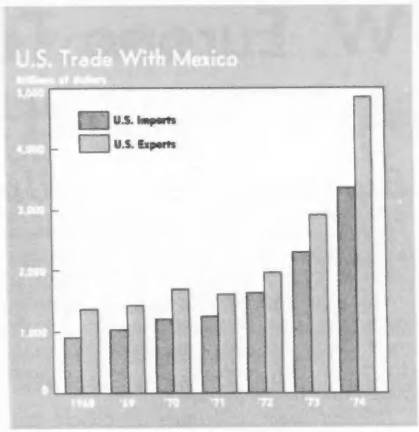
Mexico's imports totalled $6 billion in 1974—a record high, 56 percent over the 1973 level. Preliminary data for 1975 point to another substantial increase in imports but not nearly so large an increment. Paul Flores of the Bureau of International Commerce expects the United States to maintain its position as major supplier.

Mexico's commitment to a high rate of economic growth will insure the continuation of a high import growth rate in the immediate future. The accelerated expansion of the industrial base and substantial ongoing state development projects will require large-scale imports of capital equipment and producers' goods. Also, large quantities of bulk foodstuffs, notably grains, will be needed to offset domestic production shortfalls.

Mexico's gross domestic product increased 6 percent in real terms in 1974, somewhat below the 7.6 percent growth rate registered in 1973. GDP for 1974, at current prices, was $65 billion, $1,153 per capita. The outlook for 1975 and 1976 is for a GDP growth rate of around 5 percent. Principal reasons for the expected slowdown are the government's tightened monetary and fiscal policies designed to hold down inflation; the adverse effects on Mexican exports and tourism of international economic stagnation, especially the recession in the United States; and the sluggishness in direct private investment, both domestic and foreign.

Business confidence in the private sector continues somewhat uncertain. This can be attributed to several recent government actions including the maintenance of tight credit conditions, the extension of price controls, the support given to the large wage demands made by labor and increased taxes on certain consumer goods and services. Partly as a result of these grievances, the private sector presented a so-called "Charter of Economic Rights and Duties" to the President in May, documenting its views as to what it feels the government's attitudes and relations should be with regard to Mexican business and its future role in the Mexican economy.

Although Mexico's exports increased 34.5 percent over 1973 levels, it had a trade deficit of $3.2 billion as a result of soaring imports in 1974. The U.S. share of the $6 billion Mexican market rose slightly in the course of the year. Despite Mexico's continuing efforts to diversify its international trade patterns in order to reduce its great dependence on the



United States as a supplier, the current outlook is that the United States will maintain its present market share.

The Mexican import tariff system, modified on Jan. 1, increased duties on one-third of the total tariff classifications, reduced them on one-third, and kept them the same on the rest. All specific duties were eliminated and, as a result, imports are now grouped and subject to ad valorem duties as follows: raw materials, from 5 to 15 percent; machinery and equipment, 20 percent; non-luxury finished goods, 35 percent; and luxury goods, from 50 to 75 percent. The new tariff embraces a significant change in concept. Previously, duties were adjunct to the import control system and varied widely within the same tariff classifications, depending on whether the item was needed by or competitive with domestic industry.

The new tariff will undoubtedly adversely affect some U.S. exporters while favoring others. However, the effect on U.S. exports in general is not expected to be significant.

Priority imports

Best prospects for increased U.S. exports to Mexico will continue to consist of capital goods, especially those with a high technological content, and raw and intermediate materials for industry. Priority is being given to goods and equipment for the petroleum, steel, electric power, and transportation industries.

The U.S. Trade Center in Mexico City maintains an active schedule of exhibitions to promote U.S. exports. In addition, it provides exporters with the facilities to have their own private promotion events between regularly-scheduled shows. Major exhibitions now scheduled for the Trade Center include: advanced building equipment, Sept. 2-5; advanced business equipment, Sept. 29-Oct. 3; advanced packaging equipment, Jan. 26-30; metallurgy equipment, April 5-9; industrial education/vocational training aids, May 10-14; communications and professional radio/TV broadcasting equipment, June 14-18.

W. Europe Trade Prospects Are Dimmed By Recession

Expected Economic Upturn Should Lift Demand

Despite the current European recession, U.S. exports to Western Europe increased 10.6 percent in the first five months of 1975. The expected upturn in European economic activity toward the end of the year should provide some further stimulus. In 1974 the increase in U.S. exports amounted to 34 percent.

In retrospect, continues J. Robert Wilson of the Bureau of International Commerce, the performance of U.S. exports in 1974 was remarkable considering the downturn in economic activity in most European countries in the second half of the year. Moreover, price and wage inflation, balance of payments deficits induced by the high cost of oil imports and rising unemployment weakened business confidence and posed serious dilemmas for European economic policymakers. The fact that demand remained strong for a wide variety of American capital and consumer goods is partly attributable to the depreciation of the dollar vis-a-vis most European currencies.

Although both consumption and investment demand have eased, most European governments are still struggling against inflation. Of the large countries, Italy and the United Kingdom seem to have had the least success; the increases in their consumer prices still approximate 20 percent per year. Germany, with an inflation rate of only 6 percent, continues to be in an enviable position.

In the face of syrocketing prices the British Labour Government effort announced on July 1 to limit wage increases to 10 percent represents a formidable task. In the past year wage and salary costs in manufacturing rose 30 percent. The government was encouraged by the initial union reaction to its new incomes policy.

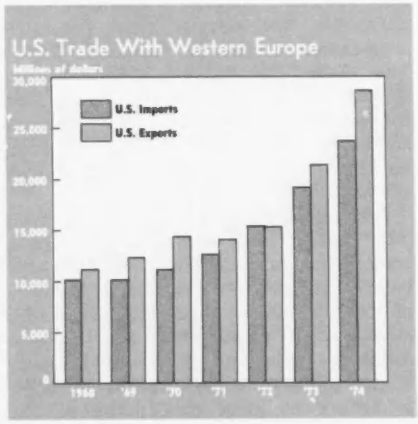
One of the encouraging developments this year has been Italy's financial comeback. Last year Italy had to borrow heavily to finance a critical balance of payments deficit which was aggravated by costly oil imports. Policy measures proved effective and in March the government was able to terminate its import deposit requirement. With external solvency restored, prospects for containing inflation and coping with other economic problems are improved.

With severe unemployment in the European textile and other import-sensitive industries the threat of protectionist measures remains acute. Nevertheless, the situation is fairly encouraging. In May all 24 members of the Organization for Economic Cooperation and Development (OECD) except Portugal renewed their pledge of last year to refrain from resorting to protectionist trade measures. Moreover, progress is expected in the multilateral trade negotiations in Geneva, thereby enhancing prospects for maintaining and strengthening the system for expansion of world trade.

European integration

The outcome of the British referendum on continued membership in the European Economic Community has paved the way for a resumption of cooperative endeavors in Brussels. Nevertheless, no major initiatives are presently indicated. Most governments now favor a pragmatic approach and the goal of economic and monetary union seems increasingly visionary. Greece has applied for membership in the EEC but it may take a year or two before agreement on the terms of membership can be negotiated. Several other Mediterranean countries are engaged in the negotiation of preferential trade agreements with the EEC. A convention was signed in Lome in March with 46 African, Caribbean and Pacific countries which will regulate their trade relations with the EEC and govern the EEC's efforts to aid them financially and with technological assistance.

The Community continues to take a number of actions affecting the business environment. Its antitrust enforcement is vigorous, it is moving toward a common approach on environmental protection and there is appreciable activity in the industrial policy area, including the harmonization of industrial standards. Also, a European Regional Development Fund has been established.



The Community is not, however, the focal point for solving the most pressing economic problems—control of inflation, combatting unemployment and recession and coping with the energy crisis. In these areas the diagnosis is at the national level and remedies are sought mainly in national measures. EEC economic and finance ministers consult regularly but it would be exaggeration to claim that they achieve coordination of their policies.

The situation of the German economy is expected to play an influential role in determining the timing and strength of European recovery from the present recession. Whereas at the beginning of the year German GNP growth for 1975 was estimated at 2 percent, the latest estimates foresee little or no growth this year. Fiscal and monetary measures to stimulate the economy have not yet succeeded in boosting either consumer or capital expenditures. However, there are some encouraging signs and an upswing may take place in the last quarter. This would be welcome news, not only to the Germans but to exporters to this important market.

Of the EEC countries, France is expected to record the fastest growth this year; however, it will probably be only 2 percent, very modest by French standards. For the past decade the French growth rate averaged 5.4 percent, the highest in the Community. Although France has succeeded in reducing its inflation rate from 15 percent in 1974 to a current annual rate of 11 percent, policymakers are fearful of a resumption of a wage-price spiral. Thus, although several major industrial sectors are depressed, including automobiles, textiles, and construction, the government is taking a wait and see attitude before introducing further measures to stimulate the economy. France is also faced with a deficit in the current account of its balance of payments and may have to borrow from abroad.

Norway will probably record the highest GNP growth in Europe in 1975—6.2 percent. Last year U.S. exports to this oil-rich country increased 68 percent. American equipment is used in the offshore oil fields, in petrochemical plants and in the control of pollution. With a tight labor market and unemployment, there is a growing need for labor-saving equipment. Norway will soon become a net oil exporter.

This year U.S. exports to Spain are expected to pass the $2 billion mark. American products have sold very well in recent years and the U.S. share of the Spanish market—15 percent—is unsurpassed in Europe. The contribution of the manufacturing sector to the Spanish GNP has grown rapidly over the past decade and further expansion, especially of the chemical, automotive, steel and electronic industries, is seen.

Belgium

Slump Continues, But Outlook Is Brighter

The Belgian economy has been on a recessionary spiral since the middle of 1974. Bobette K. Orr of the Bureau of International Commerce sees brightening signs in the economic picture and reports that it is becoming apparent that the downturn is beginning to level off, augurring well for increased U.S. exports to Belgium. The timing of any subsequent upturn is difficult to predict, but certain economic indicators point to the first half of 1976.

Compared to a real growth rate of nearly 6 percent in 1973, the Belgian economy grew by only 4.1 percent in 1974 to a GNP level of $53.4 billion. For 1975 the growth rate is expected to be even less—around 1.5-2 percent. Likewise, the utilization of industrial production capacity has been declining and hit 74 percent in January, the lowest for the past 15 years.

Private consumption at constant prices increased by only 2.3 percent in the first quarter of 1975 compared to the same period of 1974. Poor profit expectations, which also indicate limited possibilities for future self-financing, will probably result in a decline in corporate investment by 5-7 percent in volume for 1975. Industrial activity took a marked fall around the turn of the year and is not expected to improve until later in 1975.

In the current "stagflation" which is engulfing the Belgian economy, the major inflationary factor is the wage-price spiral. The consumer price rise amounted to 12.6 percent on an annual basis between January and April, and the average increase for the whole of 1975 is not expected to be less than 11 percent. At the end of April, the totally unemployed numbered 160,000, which is 6.2 percent of the work force. At the same time, wages and salaries have continued to rise rapidly. The average increase in wage costs amounted to 19.3 percent in 1974, which is considerably more than the United States at 9 percent.

Belgium has the world's highest per capita level of foreign trade. But despite an average growth in value of 26 percent, Belgium's exports in 1974 stagnated in volume. Similarly, imports in 1974 increased in value by 34 percent, but in volume by only 0.6 percent.

Belgian exports have probably been affected by the firmness of the Belgian franc against the currencies of leading trading partners. Since Belgium conducts almost 75 percent of its trade with Common Market countries, the cyclical revival of Belgium's principal trading partners is extremely important for its own economy. Consequently, Belgium will seek to continue to diversify, expand and consolidate trade relations in 1975 with non-traditional trading partners, particularly in the Middle East and Latin America.

Throughout 1975 the Belgian Government will be faced with the competing goals of lowering a high inflation rate and pulling the economy out of a recession. Government economic policy will be directed towards increasing investment, raising production, decreasing unemployment, and expanding export trade—the backbone of the country's economy.

Positive signs include the deceleration in price increases, especially at wholesale level, and the satisfactory balance of payments. There has been an increase in road construction and other civil engineering activity. A favorable impact should also be seen soon on government-subsidized housing.

Belgium increased its imports of U.S. goods in 1974 by more than 50 percent, primarily in the categories of high technology products and agricultural commodities. At the same time, Belgian imports from Common Market countries rose by less than half this amount—25.8 percent. As a result, the United States increased its share of the Belgian import market from 6 percent in 1973 to almost 7 percent in 1974. U.S. agricultral exports to Belgium are expected to grow further in 1975—by as much as 10 percent. U.S. exports to Belgium of manufactured goods are also expected to fare well.

Specifically, U.S. exports of laboratory instruments, computers and related equipment, energy systems, pollution control instrumentation, and business equipment and systems should find attractive markets in Belgium in 1975. The U.S. competitiveness in these categories, which in the past has stemmed from the highly technical sophistication of the products, has been further boosted by the devaluation of the dollar vis-a-vis the Belgian franc. For like reasons, U.S. consumer goods should also find more interesting markets in Belgium.

France

Late '75 Recovery Seen; U.S. Sales Could Rise

For the remainder of 1975, U.S. exports to France are expected to follow the general trends in the French economy. Consequently, U.S. sales to France can be expected to rise about 11 percent this year over the $2.9 billion registered in 1974, reports Richard P. Humbert of the Bureau of International Commerce.

At mid-year, the French economy is still in the grips of the severest postwar recession. Real GNP is now forecast to rise no more than 2 percent, in contrast to the 3.8 percent registered in 1974. The 1974 current GNP rose 15.8 percent to $287.7 billion and per capita income reached the equivalent of $5,500. Businessmen remain pessimistic at the moment, and the consensus is that any real revival is not likely to come before 1976.

Industrial output was down 10 percent in April from a year ago, and investment spending, as well as demand for imports, continued to fall off through May. Domestic orders also fell off through May as the seasonal buildup of producers' inventories failed to materialize. The number of unemployed workers has risen steadily since year-end and may reach 5 percent of the labor force by December. The government's monetary policy has helped slow down inflation, now running at an 11 percent annual rate, down from the 15 percent registered in 1974.

Reflecting these developments, French businessmen have called for more stimulation of the economy but the government has stated it will hold the present line until fall before deciding if any additional measures need to be taken. The equivalent to the discount rate was 9.5 percent in early June while the rate to banks' prime customers was 12.4 percent, the second highest among the industrialized nations.

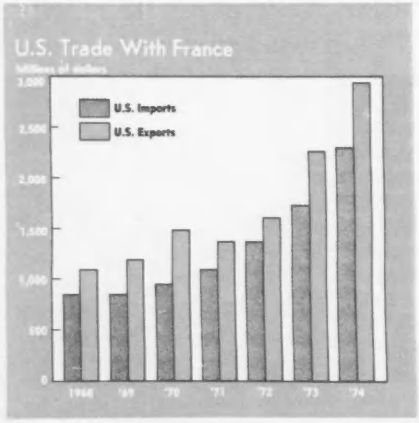
Appreciation of the franc in recent months and decreased import demand have resulted in a $1.3 billion (5.3 billion French francs) trade surplus through May. This is in sharp contrast to the $7 billion trade deficit for 1974 when imports rose 42 percent to $52.8 billion—reflecting the large oil import bill—and exports climbed nearly 28 percent to $45.8 billion. Trade with the United States also reached new levels, with French imports of U.S. products increasing by 32 percent over 1973, accounting for 7.8 percent of total French imports. France's exports to the United States rose 29 percent last year.

Although the French Government does not want to overstimulate the economy, since March a series of measures have been announced—including aid to the housing industry, additional funding for

the investment loan program, and injection of nearly $4 billion to stimulate productive investments. Tax breaks include a credit for 10 percent of the value of investment goods ordered from April 30 to the end of the year. Among direct aids to investment is a new credit of $1 billion for the telephone system, new government loans to nationalized industries and to small and medium industries undergoing reconversion. A $1.25 billion domestic loan has been launched to provide subsidized credits to business to expand their production facilities. These measures are expected to generate some $5 billion in new orders for industrial equipment, but will not be felt before year-end.

Revival of the French economy should provide U.S. exporters with excellent opportunities for a share of the market, especially if the exchange rate continues to remain favorable. Excellent prospects will exist for sales of high technology equipment such as computers, EDP and peripherals, electronic components, telephone equipment, and new, labor-saving machinery designed to increase productivity. Interest in U.S. consumer goods is also high, as evidenced by a recent successful in-store promotion at one of France's largest chains. This event confirmed increasing French interest in women's lingerie, cotton and polyester fabrics, sports and leisure wear, bathroom linens and accessories. The market is also growing for sports, leisure, hobby and do-it-yourself equipment, where U.S. items are deemed better in design and quality.

To this end, the U.S. Trade Center in Paris will sponsor the following exhibitions in coming months: October, data communications and peripherals; November, housewares; December, electronic components; January 1976, hotel and restaurant equipment. Information on these and other overseas exhibitions can be obtained from the nearest Department of Commerce District Office or by contacting the France Section, BIC/OIM, U.S. Department of Commerce, Washington, D.C. 20230; phone 202-967-4504.



Germany

U.S. Exports Steady Despite Recession

Only a modest increase in U.S. exports to Germany is expected in 1975, due to the severity of the German recession, according to Velizar Stanoyevitch of the Bureau of International Commerce.

Through May, total German imports were up only 1.4 percent over the same period of 1974; imports from the United States were doing better, registering a 2.9 percent gain. On the other hand, German exports to the United States have fallen drastically.

Rising production costs, a sharp decline in export orders, and a slightly overvalued mark are undermining Germany's position as the second largest trading nation. The country's trade surplus last year reached a spectacular $19.7 billion. However, the first five months of this year have witnessed a sharp decline in German exports. Exports to the United States, for example, have dropped by a whopping 35 percent—raising questions about the severity and the duration of the economic recession in Germany, which appears to have been underestimated.

As early as mid-1974, the flow of foreign orders began to decelerate and a slowdown in exports became apparent. For a while, this was camouflaged by a huge backlog of export orders and the extraordinary growth of German sales to Eastern countries and to the Middle East. Through May of this year, total German exports of $38.3 billion (f.o.b.) were 5.4 percent below the corresponding period of 1974, while imports of $31.2 billion (c.i.f.) rose 1.4 percent. German imports from the United States of $2,562 million (c.i.f.) through May were 2.9 percent higher than a year earlier, but German exports to the United States of $2,179 million (f.o.b.) were 35 percent less.

The significance of these developments for Germany may be gauged by the fact that exports still account for about 25 percent of GNP. Germany was able to overcome payments repercussions of higher energy and raw materials prices, but was not able to remain immune to recessionary developments abroad. Industrial production has declined and unemployment has stood above the one million mark since last December. The government has been obliged to resort to frequent borrowings because of mounting budgetary deficits caused by countercyclical expenditures, lowering of personal income taxes and higher social security and unemployment benefits.

Real GNP growth last year was measured in fractions of one percent. The

more sanguine forecasts expect little change before 1976, when the economy is expected to resume real growth. A series of reductions in the discount rate to the present 4½ percent level and lowering of reserve requirements have not had the desired effect of increasing consumer or capital spending. On the contrary, the savings ratio has risen above 17 percent. The government may be relying on a replay of the 1967 experience, when overseas demand for German goods and services helped pull the economy out of a mini-recession.

On the positive side, consumer price rises have actually slowed from 7 percent per annum in '73 and '74, to about 6 percent. Wage settlements this year, averaging 6 to 8 percent, represent a return to single digit annual wage hikes for the first time since 1970. German direct investments abroad have been running at the rate of about $2 billion a year for several years in a row, with the U.S. a clear favorite in 1974.

Despite Germany's current sluggish economy, prospects for U.S. sales appear favorable. Based on results from recent U.S. Trade Center and trade fair exhibitions, the German market appears particulary receptive to sophisticated electronic equipment, computers and peripherals, electronic components and testing equipment, bio-medical analysis, diagnostic and therapy equipment and pollution test and control apparatus. Also, American consumer products, covering a broad spectrum of product lines, have recently become much more competitive.

Commerce's trade promotion list includes sponsorship of U.S. group exhibitions at the international EDP "Systems '75" in Munich in October, and the design engineering "Pro-In" in Dusseldorf next February. In addition, the Frankfurt U.S. Trade Center has scheduled shows featuring electronic components, industrial process controls, laboratory instrumentation, microwave technology, industrial security and safety systems and biomedical instrumentation.

Italy

Economy Recovering; U.S. Sales Should Rise

U.S. sales to Italy neared $2.8 billion in 1974, a 30 percent increase over 1973, according to U.S. statistics.

This is another record-breaking year for U.S. exports. Despite a current overall drop in total imports into Italy, U.S. exports through May, $1.3 billion, are running 6 percent ahead of last year. With an expected upturn in Italy's economic activity during the latter part of 1975, U.S. sales should also increase, according to Ann Corro of the Bureau of International Commerce.

Considering the dire predictions of economic collapse a few months ago, Italy has made a remarkable recovery. The spiraling inflation of near 25 percent in 1974 has moderated to where a 19 percent annual rate for 1975 is now attainable. Another good sign is the tremendous improvement in the balance of payments position. For the first time in seven months the balance of payments registered a surplus in March of this year. The overall balance of payments short fall for 1975 is projected to be much less than half of last year's $8 billion deficit.

A major factor in this improvement is the reduction in the trade deficit. During the first quarter of 1975, total imports declined by 3.8 percent while Italian exports increased by 28 percent. The recent removal of the 50 percent prior import deposit regulation and the reinstatement of foreign financing for imports, however, should help boost total imports again. Another government objective already accomplished is elimination of the non-oil trade deficit. In fact, a $2.3 billion surplus is expected in this sector for 1975.

There are still problems, too. Italy is, as are most industrialized countries, in an economic recession. A zero growth or possibly negative gross domestic product growth rate of 1.5 to 2.5 percent is projected for 1975, down from 3.4 percent in 1974. (The Italian national accounts now measure GDP rather than GNP). This would represent the first time in 25 years that the Italian economy has not experienced a positive growth rate.

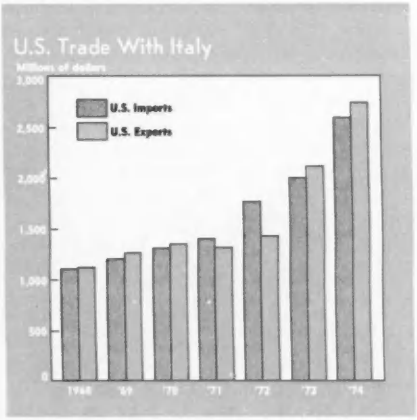
Symptomatic of the recession is also the decline in the industrial production index. Currently it is 11 percent below the same time last year, with a 6.2 percent overall drop expected for 1975, compared to a 4.4 percent increase in 1974. Especially hard hit is the automotive industry, with major suppliers such as tire and steel manufacturers adversely affected by the auto industry's lower production levels.

On the labor front, despite an official unemployment rate of 3.1 percent, there are a large number of workers on reduced work hours (termed underemployment) due to the downturn in industrial activity. A more accurate estimate of unemployment, taking into consideration underemployment, might be 6-7 percent of the labor force. With large increases in wages exacerbating inflation, the Italian Government is hoping to limit wage increases to 16-18 percent in 1975.

The abolition of the import deposit regulation, relaxed credit conditions and the devaluation of the U.S. dollar should continue to make U.S. products competitive in the Italian market. Generally, high technology equipment will remain in high demand. Computers, process control instrumentation and energy systems (nuclear and alternate sources) are among those items having good sales potential.

Also, an anticipated government decision to approve an official color TV system for Italy (the German PAL) should open a new market for U.S. electronic components and production equipment. Port development projects offer good sales opportunities for U.S. equipment. With an increase in shipping activity expected from the reopening of the Suez Canal, Italian ports are expanding and modernizing their facilities. Forthcoming contracts for port equipment and supplies bear careful watching. Some U.S. consumer items should sell well despite a drop in consumer demand. U.S. high-fidelity, recreation and leisure-time, and do-it-yourself equipment should find a receptive market in Italy.

The Milan U.S. Trade Center schedule for the remainder of 1975 includes the following product exhibitions: water and air pollution control equipment (November), metal finishing and surface treatment equipment (December), and sportswear and casual clothing (December). In addition, a port and shipyard equipment trade mission will be visiting Italy in December.



Netherlands

Economy Still Showing Various Signs Of Stress

As the Netherlands enters into the second half of the year, the government faces important decisions on methods for slaying the two-headed economic dragon of continuing inflation and worsening unemployment which is plaguing the Dutch economy.

The government currently views unemployment as the greater menace, Bobette K. Orr of the Bureau of International Commerce reports; control of inflation remains important, but has dropped to second place. The government is willing to afford large budget deficits in order to stimulate employment by boosting government spending and reducing personal taxes. These corrective measures should also stimulate a moderate increase in Dutch imports of U.S. products in 1975.

Despite the economic woes of stagflation, the Dutch economy experienced a real growth in its GNP for 1974 of 2 percent, reaching $70.4 billion.

The Government of the Netherlands has recently published its "spring white paper" on the state of the economy. The November 1974 forecasts of recovery from the present recession during the second half of 1975 were too optimistic, and improvement is now not expected before 1976. Likewise, earlier forecasts for an increase in Dutch industrial production by 1 percent have also been revised downward, to a drop of 1 percent from 1974. This is the first time since 1958 that the Netherlands will witness zero or lower growth in industrial production.

The "spring message" also estimates the government budget deficit for 1975 at $4.1 billion—roughly double the official plans published last September. The increased deficit is attributed both to a $0.9 billion tax revenue shortfall, resulting from a decline in the growth of national income related to the general economic downturn, and to a $1.2 billion government expenditure increase, resulting from the sizable reflationary measures taken earlier to boost the Dutch economy.

Inflation, while below the rate in many other OECD countries, still climbed from an average of 8 percent in 1973 to 9.6 percent in 1974. The total consumer price increase through mid-May 1975 was 4.6 percent. If prices continue rising at this rate, the projected price increase of 8.5 percent for 1975 will surely be exceeded.

The unemployment figure has risen sharply—to 211,900 in May 1975, 5.2 percent of the working population. It is this threat of increasing unemployment that the government has committed itself to fight.

The Dutch Social Affairs Minister

attributes the worsening employment situation to the continued feeble Dutch and international business cycles. With approximately 45 percent of its gross domestic product devoted to exports, and a like amount represented by imports, it is understandable that Holland lives on trade and that its economic well-being is linked to the growth in world trade. Consequently, contraction in the economies of Holland's major trading partners is bound to have a negative effect on the Dutch economy.

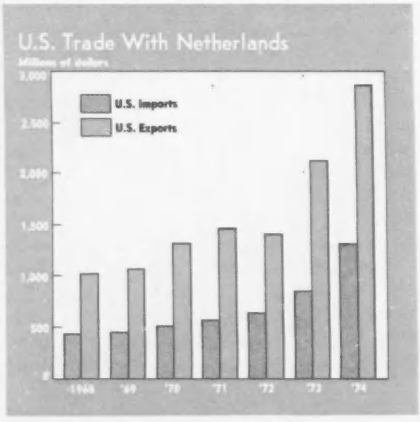
What has helped the Netherlands through these difficult times is the surplus on the nation's energy balance. With some 2.3 trillion cubic meters of natural gas in its north coast field, Holland is now a net exporter of energy. Consequently, the current account surplus for 1974 was $1.6 billion. The surplus is expected to be about $2 billion for 1975, with higher prices for natural gas exports a big factor in the increase.

The United States ended 1974 having exported just under $2.9 billion worth of goods to Holland, an increase of almost 39 percent over 1973. The United States increased its market share to around 10.5 percent in 1974 by outperforming Holland's other trading partners.

Boosted by the favorable dollar-guilder exchange rate, the outlook for U.S. exports to Holland in 1975 is good, although it may not match the high rate of increase attained in 1974. The exports that should fare best are high-technology capital equipment, agricultural commodities, and certain consumer goods. High technology products which offer increased productivity become attractive in times of slackening demand and pinched profits.

In addition, Dutch gas and petroleum extraction offers good prospects to U.S. exporters as increased investment is foreseen in offshore drilling in the North Sea.

U.S. manufacturers of food processing and packaging equipment can increase their sales to the Dutch market by participating in a Department of Commerce-sponsored catalog show at MACHEVO in October in Utrecht.



Spain

Inflation With Growth Characterizes Economy

The remainder of 1975 should witness further increase in Spain's overall foreign trade and some growth in its export-oriented industries, as the government reinforces its ongoing program of encouraging direct foreign investment for export expansion purposes.

Official government trade figures, indicate that the country's import market will approach $16 billion (30 percent of which is oil) this year, with the U.S. share estimated at $2.5-$2.7 billion (c.i.f.). Barring unexpected import restrictions on capital goods, the U.S. share of the market could exceed its recent (1973) high of 16.1 percent, according to Roger Turner of the Bureau of International Commerce.

Projections for 1975 indicate a significant diminution in Spain's real GNP growth when compared to the 1973 high of 7.9 percent. Real GNP growth this year should range between 2 and 3 percent, depending largely upon the rate of economic recovery elsewhere in Western Europe. Except in the construction industry, orders for capital goods and intermediary and consumer goods have declined.

Increases in exports and imports during 1974 over 1973 levels were at 39 and 62 percent, respectively. Indications are that a lessening of 1974's positive rhythm of increases will occur; through May, the volume of exports had risen only 4 percent and imports only 8 percent over the comparable 1974 period. Owing to seasonal fluctuations, including large grain, metals and machinery imports, the U.S. share of the import market is now above 15 percent.

Industrial expansion will continue in 1975. Select industrial sectors are expecting additional foreign investment for a variety of reasons: manufacture of new products, reduction in manufacturing costs, increases in production capacity, and improvement in the quality of production. Up to $1 billion in direct foreign investment is expected for new chemical, automotive, steel, and data processing facilities (near Valencia and Huelva). Additional inputs are expected in shipbuilding, coal mining, paper products, and materials for the construction industry. Another positive note is the Bank of Spain's agreement to provide local private banks with liquid assets sufficient to allow an increase of 24 percent in credit-based investments during 1975.

Companies with foreign participation are now permitted to obtain credits at up to 18 months on the same conditions as those applying to Spanish companies. The former are now able to take up credits

at more than 18 months without restriction provided their foreign participation is less than 25 percent.

Although recession has arrived full force in Spain, accompanied by its companions of economic discontent—unemployment (2-5 percent), inflation (19 percent), and a rising cost of living (18 percent)—compared to most West European nations Spain's economic situation is quite favorable and its reserve position strong.

The government continues to play a direct role in Spain's efforts to ease the effects of the recession. In April, profit margins were frozen until the end of the year; rises in the prices of industrial products were to be allowed only if the cost of raw materials and salaries had increased; and wage increases are not permitted to exceed the rise in the cost of living by more than 3 percent.

Crude oil imports continue to be a burden: total cost by the close of the year could reach $4 billion.

Spain's reserves are estimated at $5.2-$5.5 billion, or some five months of 1974 imports. In 1975, invisibles should approach $5 billion, despite an expected decline (below $800 million) in worker remittances; earnings from tourism should continue in the $3.1-$3.3 billion range; and investment should approach $1 billion. Invisibles coupled with compensatory financing of some $300 million through the International Monetary Fund will be needed to offset Spain's 1974 trade deficit of $8.3 billion.

Since the 1973 devaluation of the dollar, peseta revaluations have continued to make U.S. capital goods competitive. Direct sales appear most promising in electronics, metalworking and finishing, antipollution and health care equipment, printing and graphic arts, and select types of data processing machines.

Commerce Department promotional assistance includes a catalog show on pollution control in October; a trade mission on industrial security and an energy seminar in spring 1976; and a metalworking and finishing exhibition in June 1976.

Sweden

Economy Levels; U.S. Exports Continue Rise

Sweden, still one of Europe's most active markets, will substantially increase its imports from the United States this year. The rapid expansion that characterized 1974 is not likely to be repeated, however, according to Harold A. McNitt of the Bureau of International Commerce.

The economic upswing which got under way in 1973 peaked in late 1974. The economy has since operated on a high plateau. Early this year foreign orders for several key Swedish manufactures began to fall off, with a consequent slackening of industrial production in several sectors. Domestic demand remains vigorous, however, assuring real economic growth in the months ahead.

Sweden's gross domestic product reached $56 billion last year, a real increase of about 4.2 percent over the 1973 level. A slower growth rate—not exceeding 2.2 percent—is forecast this year.

The Swedish business community is concerned about uncertain economic conditions abroad. The decline of new orders for Swedish exports has affected such industries as paper and pulp, steel, nonferrous metals, petrochemicals, and metalworking. As a result, business investment in new equipment appears to have slackened. Investment in housing is at a low ebb.

While troubled by inflation, Sweden has maintained a relatively moderate rate of price increases by today's standards. Consumer prices in March were running 7.9 percent above the level a year earlier, an improvement over the 1974 performance when prices rose 10.1 percent. The government predicts that price increases will be held to 8 percent this year.

Sweden's imports from the world last year reached $15,837 million; the U.S. share remained level at 6.6 percent. This represents an accomplishment in view of the steep increase in value of petroleum imports. If oil imports are excluded from consideration, the U.S. share increased from 7.4 percent in 1973 to 7.9 percent in 1974.

Last year's big increase in Sweden's purchases from the United States was spread across the board. Particularly large gains were scored by grains (up 112 percent), and transportation equipment (up 268 percent). Sales of nonelectric machinery, traditionally the leading sales category to Sweden, rose by 31 percent.

Several major projects offer bright prospects for U.S. equipment exports. They include the huge expansion of the state-owned steel mill, Norrbotten Jarnverks AB, at a cost of at least $2 billion. Electric power production is another major growth area: Parliament is expected to approve construction of two new nuclear reactors and expansion of hydroelectric power capacity by 5 billion kilowatt hours a year.

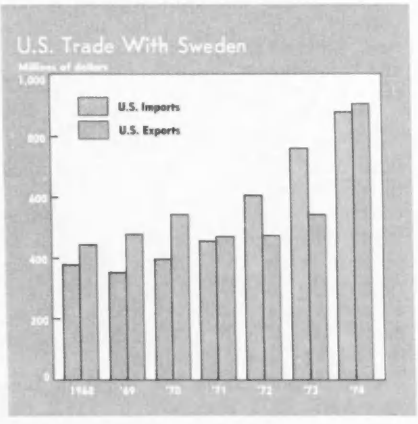
The Swedish market is promising for a broad range of U.S. products. Interest has been stimulated by the improved price competitiveness of many U.S. goods vis-a-vis Western European suppliers. Among the brightest prospects are EDP equipment, laboratory instrumentation, health care equipment, graphic arts equipment, electronic components and equipment, reprographic and micrographic equipment, food processing and packaging equipment, energy systems, metallurgical equipment, and avionics. The market for a broad range of consumer goods—from golf clubs to food specialties—is also strong.

Surplus shifted to deficit

Sweden's balance of payments shifted last year from a surplus to a deficit position as a result of petroleum price increases. The current accounts deficit exceeded $1 billion in 1974 and could deteriorate to as much as $1.7 billion this year. The government has stated that the deficit must be financed by borrowing abroad, rather than drawing down Swedish foreign exchange reserves, to maintain flexibility in foreign exchange policy. The private sector will be encouraged to take upon itself a considerable part of the necessary foreign borrowing.

To meet the balance of payments and inflation problems, Sweden since mid-1974 has pursued a restrictive monetary policy with steady tightening of credit.

The U.S. Trade Center for Scandinavia, in downtown Stockholm, provides a splendid showcase for U.S. goods. Several major exhibitions are scheduled for the 1975-76 season, including electronic components, Sept. 22-25; avionics and ground support equipment, Oct. 20-24; advanced business equipment and materials, Dec. 8-12; laboratory instruments, Jan 3-6; and graphic arts equipment, March 16-19.



Switzerland

U.S. Sales Increase Despite Economic Dip

The slight increase in U.S. exports which started toward the end of 1974 is expected to continue in 1975 despite the present recession in Switzerland. The upswing in U.S. sales may reflect the lagging but inevitable response of trade flows to the gradual depreciation of the dollar, notes Leo Kuus of the Bureau of International Commerce.

During the last four years the devaluation of the dollar and floating of the Swiss franc have resulted in an appreciation of the Swiss franc in terms of the dollar of about 40 percent. Because of low Swiss tariffs, the mutual tariff reduction based on the Swiss-EEC preferential trade agreement, which reached the 60 percent level on Jan. 1, has not eroded the U.S. competitive position on the Swiss market.

The favorable effects resulting from price changes due to the U.S. currency devaluation are to some extent offset by the recession in Switzerland. The expected decline of Swiss imports and exports in 1975 due to the recession will inevitably lead to keener competition for the Swiss market not only with regard to foreign but also to Swiss companies, since some commodities previously exported are now sold on the domestic market. The slump in Switzerland is caused by the appreciation of the Swiss franc as well as by the worldwide recession. Both factors have adversely affected Swiss exports, which in 1974 contributed 40 percent to GNP.

The downturn is apparent from the fact that GNP, which in current prices and exchange rates amounted in 1974 to $46.3 billion, decreased in 1974 in constant prices by 1 percent and is expected to decrease further in 1975 by 3 percent. Construction is most affected, but the textile, clothing and watch industries as well as tourism are also showing recessive tendencies.

A referendum in June showed clearly that despite the recession the Swiss people do not want to resort to a policy which would stimulate the economy through increased budgetary deficits. The government also has ruled out a two-tier exchange rate system, but is considering a joint float with other European currencies. So far the government has tried to ease the recession by eliminating credit ceilings and by increasing export risk coverage.

Inflation is Switzerland does not have any appreciable effect on U.S. exports, as its rate is similar to that in the United States. At the end of May the consumer price index had increased in Switzerland

by 8.1 percent and in the United States by 9.5 percent, as compared with a year earlier.

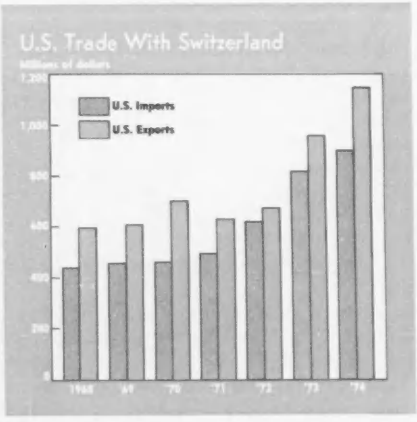
The U.S. share of the Swiss market increased from 6.6 percent during the first four months of 1974 to 8.4 percent during the same period in 1975. The rise was caused by slightly higher imports from the United States, mainly because of aircraft deliveries, at the same time as a substantial decline of Swiss total imports.

Industrial products with high technology, such as equipment for pollution control, process control and health care, as well as sophisticated office machines, continue to have good prospects on the Swiss market.

The Department of Commerce is sponsoring the participation of U.S. companies in the largest international trade fair for the nuclear industry—Nuclex—in October; it is held every three years in Basel.

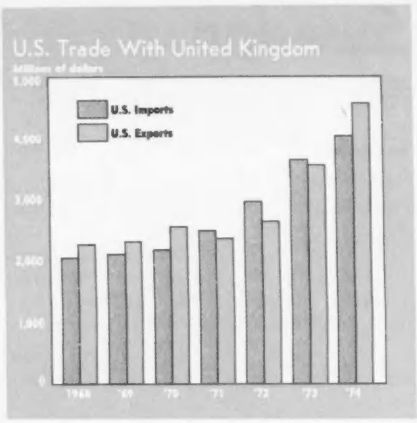
Interest in direct investments in Switzerland has been adversely affected by the appreciation of the Swiss franc and by restrictions on obtaining work permits for foreigners. However, Swiss restrictions on foreign capital inflow and on the purchase of Swiss real estate do not apply to the establishment of foreign firms if such transactions are needed for their current operations. On the other hand, the appreciation of the Swiss franc and the need to diversify the production base have made Swiss investments in the United States more attractive to Swiss companies. At the end of 1973, U.S. direct investments in Switzerland amounted to $2.6 billion and Swiss direct investments in the United States to $1.8 billion.

In order to halt the massive inflow of foreign exchange, net increases of bank deposits in excess of SF 100,000 held by non-residents have since July 1972 been at times subject to a negative interest rate. In January the negative interest rate was increased retroactively from 4 to 10 percent per quarter. No deposits held by non-residents and denominated in Swiss francs will carry interest, regardless of their date of entry into Switzerland.



United Kingdom

Inflation, Recession Dominate Economy



Exports of U.S. industrial goods to the United Kingdom in the second half of this year are likely to equal or slightly exceed the level reached in the latter half of 1974. As economic activity continues to decelerate, continues Paul A. Norloff of the Bureau of International Commerce, business confidence remains low and new orders are falling off. As in the first half of 1975, the only bright spots on the economic horizon are the outlook for expanding exports and increased public expenditures.

While 1974 witnessed a steady rise in the rate of inflation from 17 to 20 percent, by mid-1975 the inflationary rate had reached 25-30 percent, led by wage boosts of 32 percent over a year ago. By late June, when it became clear that the so-called "social contract" was not working (under which wages were to rise by no more than the cost of living), the government called on labor to limit future wage increases to no more than 10 percent. Unemployment has been increasing steadily as industrial output has been falling, consumption is flat, investment is decreasing and exports have not been as bouyant as expected earlier in the year.

The gross national product is unlikely to increase by more than 1.5 percent for the year as a whole, with little likelihood of a significant upturn until 1976 in response to increased activity in other countries acting as a spur to exports. Manufacturing investment is widely expected to fall in 1975 by between 5 and 10 percent, with the decline probably continuing into 1976. Business confidence is low, owing to the very high rate of inflation and the even greater increases in wage levels, as well as to uncertainty over present Labour Government policy toward industry including plans for nationalization, government participation in equity and government control over industry through planning agreements.

The balance of payments deficit on current account in 1974 reached $10 billion, most of which could be attributed to the increased cost of imported oil. Current prospects are for a substantial improvement in the deficit for 1975 as reduced levels of economic activity are reflected in cutbacks in total imports and a continuing reduction in stocks. The oil deficit, too, is likely to be reduced during the year, by about one-third.

U.K. imports from the world in January-April 1975 amounted to $18.8 billion, up 7.3 percent from the comparable period in 1974. Imports from the United States in January-April reached $1.9 billion, an 18.4 percent increase over comparable 1974 imports and accounting for 10.7 percent of total U.K. imports. This also represented an increase in the U.S. share of the total U.K. import market, which in Jan.-April '74 was 9.6 percent.

The question of whether the United Kingdom would remain a member of the European Community was settled by a referendum on June 5 in which the country voted overwhelmingly to endorse continued membership. Although the United Kingdom joined the Community on Jan. 1, 1973, no changes were made in the U.K. tariff until April 1, 1973, when industrial tariffs were dropped by 20 percent for imports from Community members only. On Jan. 1, 1974, a further reduction of 20 percent for Community members went into effect, leaving applicable tariffs at 60 percent of their original level. On Jan. 1, 1975, a further cut of 20 percent was made, leaving applicable tariffs at 40 percent of their original level. The existing duty-free entry for goods from Denmark, Ireland and "associable" Commonwealth countries will be maintained.

The first changes made in U.K. tariffs applicable to other than Community members were put into effect in July 1974, when import duties were moved by 40 percent toward the Community's Common External Tariff. A second move of 20 percent was made on Jan. 1, 1975.

Products which continue to offer promising potential for increased sales by U.S. exporters include oil and gas equipment, high technology machinery and tools, food processing machinery and mechanical handling equipment.

The U.S. Trade Center in London, which reopened in new quarters in October 1974, will stage promotional exhibitions in September for electro-optics/lasers, in November for printing and graphics arts equipment, in January for computers and peripheral equipment, and in February for training equipment.

Austria

Dollar-Schilling Rate Aids Competitiveness

Bilateral trade between the United States and Austria in 1975 is expected to fall below the record level of 1974. A decline in the value of Austrian exports to the United States is expected to more than offset an increase in the dollar value of U.S. exports to Austria.

Since autumn of 1974, continues M. R. Frisby of the Bureau of International Commerce, the Austrian economy has been in the doldrums as a consequence of the worldwide economic recession. The growth rate for Austria's GNP in 1974 was 4.5 percent, to a level of approximately $33 billion. The growth rate for 1975 is projected to be 2.5 percent, considerably below the 5 to 6 percent growth rate maintained for the period of the past six years.

Through the middle of 1975, the economy has been marked by a decline in external demand, an increase in consumers' propensity to save, a rise in inventories, and a decline in private investment. To counteract this, the Austrian Government has announced measures to stimulate the investment, construction and export sectors of the economy. In an attempt to increase private domestic demand and offset the decline in foreign demand, taxes on salaries and wages have been reduced through a 9 billion schilling tax reform. As an incentive to increase investment and exports, the government increased public expenditures at the federal and local levels and has made loans available to industry at low interest rates. In a parallel move, the Austrian National Bank lowered the discount rate from 6.5 to 6 percent.

Price pressures abating

Inflation remains a major problem, but should fall below last year's rate of 10 percent. Price pressures are at last abating under the impact of weak demand and falling world commodity prices. Wage rates, however, are expected to increase by more than 10 percent during this year.

Although the pace of the Austrian economy has slowed, the prospects for U.S. exports to Austria are good. U.S. products have a price advantage due to the dollar-schilling exchange rate relationship. Since January 1973, the dollar has depreciated vis-a-vis the schilling almost 30 percent. The favorable exchange rate should motivate U.S. exporters to explore opportunities in the Austrian market.

In 1974 Austria's balance of trade deficit approached $2 billion and was only partially offset by net tourist receipts. U.S. exports to Austria last year increased

substantially over the 1973 level, and the U.S. share of the Austrian market was 2.9 percent. Principal U.S. exports to Austria in 1974 included non-electrical machinery, electrical equipment, basic chemicals and compounds, paper pulp and waste paper, office equipment and vehicles.

Both U.S. consumer goods and capital equipment have strong appeal in Austria. There is particular interest in electronic data processing equipment, business machines, electronic components, building materials and construction equipment, industrial and scientific instrumentation, and pollution control equipment.

Denmark

U.S. Exports Sluggish As Slump Continues

In view of Denmark's current recession, a modest increase is the most that can be expected in U.S. exports this year. Harold A McNitt of the Bureau of International Commerce believes that a possible upturn in the Danish economy next year may revitalize the market for U.S. products, however.

Throughout last year Denmark experienced declining production and investment. While the downturn may have bottomed out, no economic recovery is foreseen this year. Weak demand for Danish products both at home and abroad has brought production cutbacks and a relatively high rate of unemployment (4-6 percent of the total labor force).

Denmark's gross domestic product totaled $31 billion last year, a real growth of only 1.6 percent. The Danish Council of Economic Advisers (CEA), a state-funded, independent organization, recently forecast a zero growth rate for 1975. The CEA foresaw prospects for moderate recovery in 1976, however, with a possible 4 percent real growth rate being considered attainable.

Recent large increases in consumer prices (up 15.5 percent in 1974) may be somewhat mitigated this year. An increase of approximately 10 percent is forecast. Denmark's overwhelming dependence on imported petroleum and petroleum products to meet its fuel needs contributes to the inflation. Rising wage rates, up 22 percent last year and expected to increase by at least 16 percent this year, also play a major role.

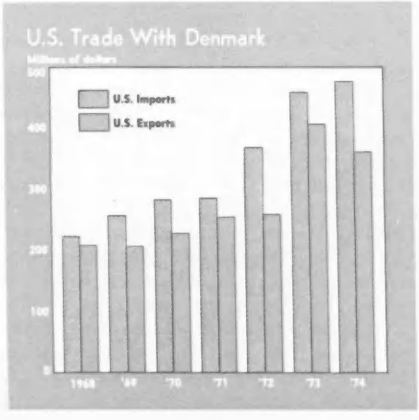
U.S. sales in Denmark last year represented 6.1 percent of total Danish imports, which were valued at $9,873 million. The U.S. share declined from 6.7 percent in 1973. However, the decline can be accounted for entirely in terms of the steep rise in Denmark's petroleum import costs. The U.S. share of the market remained steady at 7.4 percent in both 1973 and 1974, if Danish oil imports are excluded from the statistics.

Big gains in some categories

Although the overall increase in U.S. sales last year was modest, some categories made substantial gains. They included non-electrical machinery (up 40 percent), electrical machinery (up 54 percent), instruments (up 51 percent) and soybeans (up 29 percent). During the first quarter of 1975, however, Danish imports from the United States were lagging a full 19 percent below the corresponding 1974 period, chiefly because of a decline in the sale of United States agricultural commodities.

U.S. capital equipment, especially that which is based on high technology, normally finds a good market in Denmark. Products currently having sales potential include metalworking and finishing equipment, graphic arts equipment, food processing and packaging equipment, instruments and electrical machinery.

Denmark incurred a balance of payments deficit on current account of about $1 billion last year, twice as much as in 1973. This year a substantial improvement is expected, with a current account deficit of perhaps $400-$500 million, according to present estimates.



Finland

Planes Put U.S. Exports Well Above '74 Levels

U.S. exports to Finland this year are running well above last year's level, according to Harold A. McNitt of the Bureau of International Commerce. Much of the increase can be attributed to a special factor, however—major U.S. commercial aircraft deliveries. Apart from this factor, U.S. sales in Finland during the remainder of 1975 may be somewhat less buoyant than in 1974.

A steep decline in foreign demand for several key Finnish exports—especially forest products—has dampened Finnish economic activity. A decrease in domestic consumption demand and a drop-off of construction activity have also contributed to the current slowdown.

Finland's gross domestic product totaled $21 billion in 1974, a real increase of 3.7 percent. The Finnish Government forecasts a smaller increase, approximately 2.5 percent, in 1975.

Because of the current slowdown, business investment has dropped off, especially in hard-hit industries such as paper and pulp. Business outlays are also restrained by very tight credit policies imposed to cope with serious balance of payments and inflation problems. The government recently announced, however, that it will take steps to foster investment in export-oriented manufacturing industries.

U.S. sales in Finland soared to record levels last year. Imports from the United States increased by some 70 percent over those of 1973. Finnish world imports reached $6,807 million, a smaller increase of 57 percent. The U.S. share of the market rose accordingly from 4.7 percent (1973) to 5.1 percent (1974). The more favorable price position of U.S. products vis-à-vis those of Western European suppliers no doubt played a major role.

The steep increase in petroleum prices has precipitated a serious balance of payments problem in Finland. The balance of payments on current account sustained a deficit of $1.2 billion last year. During January-April 1975, according to preliminary data, Finnish imports exceeded exports by about $790 million. Convertible reserves of the Bank of Finland declined to $284 million on May 31, 1975, compared to $513 million a year earlier. To meet the problem in the short term, Finland recently reached an agreement with the International Monetary Fund allowing Finland to draw on Fund resources, including the special oil facility, to support Finland's balance of payments correction program. An earlier measure to deal with the payments problem was Finland's adoption in March of an import deposit scheme intended to reduce many types of imports (*Commerce Today*, May 26). The deposit scheme thus far has not succeeded in markedly curtailing the imports, however.

Finland's plan to increase investment in export-oriented industries may generate opportunities for sale of U.S. equipment to the metals, metalworking, shipbuilding and forest product industries. Good sales potential is also reported for health care equipment and process control instrumentation.

Norway

Oil Boom Generates U.S. Sales Prospects

U.S. exports to the attractive Norwegian market will continue expanding through this year, but last year's outstanding gains will not be equaled, according to present indications.

Norway's economy, stimulated by a burgeoning North Sea offshore oil and natural gas industry, continues to move ahead at a rate more rapid than that of most industrialized countries, Harold A. McNitt of the Bureau of International Commerce reports. Boom conditions have topped off somewhat because of a steep drop in foreign demand for many Norwegian products as well as shipping services, however. Meanwhile, Norwegian demand for imports—both from the world and from the United States—has slackened substantially.

Norway's gross national product reached $26 billion last year, a real gain of 3.7 percent over 1973 levels. This year, according to government forecasts, a 6.2 percent real growth can be expected.

Inflation, though a problem in Norway, is relatively moderate. This year consumer prices are expected to increase by no more than 11 percent.

U.S. sales in Norway scored outstanding gains last year, rising by 78 percent. Since Norway's imports from the world climbed at a much slower pace of 35 percent to $8,414 million, the U.S. share jumped from 6.2 percent (1973) to 8.2 percent (1974). U.S. sales of transportation equipment, especially oil rigs, soared 173 percent. Other major gainers included soybeans, up 89 percent; petroleum products, 82 percent; miscellaneous manufactures, 94 percent; and chemicals, 60 percent. The uptrend in U.S. sales continued, but at a reduced rate, through the first quarter of this year. Norway's imports from the United States were running 19 percent above the corresponding 1974 period, with gains in nonelectric machinery and soybeans. Norway's total imports during the first quarter of this year were actually running slightly below last year's level.

U.S. sales prospects

Several major projects will provide attractive opportunities for U.S. sales development during coming months. These include further expansion of oil and natural gas fields in the Norwegian sector of the North Sea. A closely related development is construction of a major petrochemicals complex at Rafnes. Pollution control equipment also has strong sales potential; one Norwegian company plans to spend more than $100 million over the next three years to clean the air around its chemical complex. Other U.S. products having high sales potential include food processing and packaging equipment, electronics production and test equipment, electronic components, graphic arts equipment, and consumer goods—especially those embodying high quality and novel design features.

While development of Norway's oil and gas resources will soon provide a comfortable balance of payments surplus, the time has not yet arrived when Norway is a net exporter of mineral fuels. The country in fact experienced a heavy current accounts deficit last year of $1.1 billion. This year, an even larger deficit of about $2 billion is anticipated.

Portugal

Change, Uncertainty Are Hindering Growth

Government-initiated change following the April 1974 revolution continues to reverberate within a weak Portuguese economy. No solution to the country's basic economic difficulties—declining productivity, rising inflation, increasing unemployment and lack of liquidity—is discernible, according to Roger Turner of the Bureau of International Commerce.

Whether recent increases in commerce between the United States and Portugal will continue is contingent on Portugal's ability to generate economic growth and concomitant liquidity. (A recent U.S. AID loan of $25 million for housing and technological assistance may be helpful.)

According to government officials, real GNP growth for 1974 was 2-3 percent, a sharp decline from the 8.1 percent of 1973. Industrial output grew by only 6 percent. During 1975, little improvement in this declining pattern is expected. The Portuguese economy has traditionally been dependent upon imports and its chronic trade deficit has generally been compensated for by emigrant remittances (from over 1 million skilled workers in major West European countries) and revenues from tourism. The latter declined some 31 percent in 1974 from its record high of $269 million for 1973. Remittances have also begun to fall off.

Official trade statistics indicate that 1973's trade deficit of $2.9 billion rose to $4.4 billion in 1974. Increasingly unfavorable terms of trade for Portuguese exports, crude oil imports of $470 million, and a sharp rise in the prices and volume of vital agricultural imports were mainly responsible for the deficit.

Gold and foreign exchange reserves remain relatively strong at an estimated $1.7 billion, over 70 percent of which is in gold. To avoid unnecessary reserve shrinkage in 1975, the government acted to reduce domestic consumption and curtail imports by severely restricting consumer credit and imposing 20-30 percent surcharges on "non-essential" imports. Inflation during the first quarter of 1975 was down some 8 percent from 1974 year-end estimates of 25 percent, but a sharp rise is expected in late 1975.

Foreign investment is needed and the government has emphasized it is welcome under certain conditions. The latter remain to be defined in a new foreign investment code expected sometime this summer. To date, foreign investment has not been exempt from prevailing conditions and regulations. All firms in Portugal have been seriously affected by greatly increased production costs, labor interference and declining productivity. Total U.S. investment is estimated at $200-$250 million.

Trade opportunities exist for agricultural products, avionics, transportation equipment, medicines, computers, electrical machinery and raw materials. Several major projects continue to be discussed, including airport development, chemicals and fertilizer plants, highway construction, electrical distribution systems and housing. U.S. competitiveness continues to be aided by the 1973 devaluation (5.6 percent) of the dollar against the escudo.

Yugoslavia

U.S. Sales Benefit From Growth Policy

Unless Yugoslavia turns from its present policy of economic expansion to a policy of stabilization, imports from the United States are expected to continue to grow, this year, although at a slightly slower rate than in 1974.

Leo Kuus of the Bureau of International Commerce goes on to say that Yugoslavia's rapid economic growth based on high rates of investment has been accompanied by growing inflation and, since 1974, by a deterioration of the balance of payments. The federal government has so far tried to control price and wage movements through agreements between enterprises and constituent republics, while legislation is pending to suppress excessive investments. In order to improve the balance of payments situation, import curbs on selected items have been imposed from time to time, the most comprehensive in June, in addition to existing import restrictions.

GNP increased in 1974 at current prices and exchange rates to about $27.5 billion, which represents an increase of 34 percent in current and 7 percent in constant prices. The present Five-Year Plan (1971-75) aims at an annual increase of 7.5 percent.

The proper functioning of the workers' self-management system has become one of the main economic issues, since workers are in a position to set wages for themselves and to decide on investments. The shortage of working capital and growing inflation are considered to be the result of excessive wage increases and an inadequate rate of saving.

The cost of living reached the 21 percent range in 1974 and is expected to increase at the same rate in 1975. Up to 40 percent of the inflation is attributed to higher import prices, while the rest may result from excessive spending.

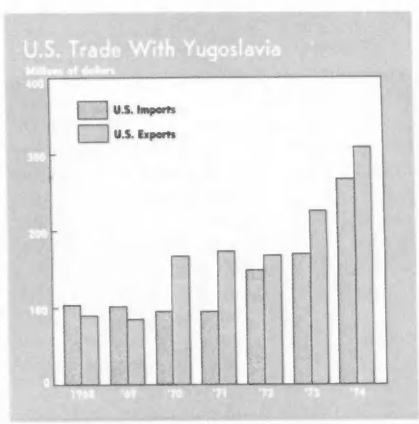
U.S. exports to Yugoslavia have continued to increase in 1975. However, during the first five months of the year total Yugoslav imports increased to a larger extent from sources other than the United States, with the result that the U.S. market share during the same period declined from 6 percent a year ago to a level of 5.6 percent.

Import restrictions imposed in June consist of increased import surcharges and licensing requirements for a wide range of commodities. Because Yugoslav trade with the United States is more balanced than with the EEC countries, import licenses for imports from the United States may be easier to obtain.

Good prospects in some fields

Although import restrictions are at present hampering somewhat U.S. exports to Yugoslavia, good prospects still exist for the power industry and for avionics equipment. U.S. prospects would be substantially enhanced through the granting of favorable commercial credits and guarantees for after-sale service.

The Commerce Department has planned a printing and graphic arts catalog show in Zagreb for September and a metalworking and finishing machinery technical sales seminar in Belgrade and Zagreb for October. A port equipment trade mission is scheduled to visit Yugoslavia in November.



Greece

Competition Toughens For Growing Market

Long-term prospects for the sale of U.S. products to Greece are promising, as the government has put emphasis on strengthening the country's industrial base and is contemplating major public investment projects. Dynamic sales efforts and competitive financing are, however, the factors which will play a key role in maintaining and increasing the U.S. share of the Greek market, advises John L. Priamou of the Bureau of International Commerce.

Stagnation, inflation and balance of payments problems occupied the attention of Greek policymakers during 1974. With inflation brought down to the somewhat acceptable level of 13.5 percent, the government is now aiming at moderate stimulation of the economy.

Real GNP declined 2 percent in 1974; GNP in 1975 is estimated to grow approximately 2 percent, with prices increasing 12 to 14 percent. Exports climbed an impressive 44 percent to $1.8 billion in 1974.

Imports, however, increased only 15 percent—versus 66 percent in 1973—despite rising international price levels and Greece's total dependence on external sources for petroleum. Contributing factors to this paradox were improved agricultural production, a reduction in import demand partially resulting from huge stockpiling in 1973, the domestic downturn and governmental measures to discourage imports. Total imports in 1974 amounted to $4.38 billion, with U.S. exports attaining a 30 percent increase over 1973. The trade deficit, however, will be at roughly the same level as in 1974.

In 1975, total imports are expected to rise to $5 billion. The Greek Government will attempt to minimize nonessential imports. With efforts to increase Greek exports continuing it is foreseen that the trade deficit will be at roughly the same level as in 1974.

On Nov. 1, 1974, Greek import duties on types of manufactured goods not produced locally were given a final adjustment bringing them into line with the Common External Tariff of the European Economic Community and eliminating duties on EEC-originated products. As a result, U.S. exporters will have to compete harder with Greece's European trading partners. The recently liberalized Eximbank facilities can assist in amplifying U.S. competitiveness and the presence of a number of U.S. branch banks in Greece can also play a role in penetrating the Greek market.

U.S. suppliers of equipment and technical services should be alert to major capital goods imports being contemplated by a number of public agencies, including major projects in irrigation, construction and education financed by the European Investment Bank and the IBRD.

Other American products with good to excellent export potential include those in the areas of aviation, construction, shipbuilding, ship repair and supplies, commercial and industrial refrigeration, air-conditioning, scientific instruments, hospital equipment and pollution and environment control.

Turkey

U.S. Equipment Meets Undiminished Demand

Citing the priority given to implementation of the Turkish Five-Year Plan, Leo Kuus of the Bureau of International Commerce expects U.S. exports to continue growing despite Turkey's urgent need to halt the deterioration of its balance of payments.

Turkey's loss of about $1 billion worth of foreign exchange reserves within a year has resulted from continuing high imports. Despite high annual inflation, which is now approaching the 30 percent range, the exchange rate of the Turkish lira has for the past five years been maintained with minor adjustments at the same level.

Because of the nature of U.S. commercial exports to Turkey, which consist mainly of agricultural commodities and capital goods for basic infrastructure and industrial projects, and are delivered to state economic enterprises, U.S. exports are not always affected by business conditions in the private sector.

GNP, which had increased in 1974 at constant prices by 7.5 percent, may increase at a lesser rate in 1975 because of the effects of inflation. GNP in 1974 amounted to about $30 billion at current prices and exchange rates.

There is no comprehensive program to combat inflation since it is caused not only by high import prices but also by policies which cannot be abandoned, such as deficit spending due to public investments and agricultural price supports, and the financing of budgetary deficits through short-term borrowing from the Central Bank.

As to the balance of payments, last year's trend of rising imports and declining exports is continuing, while remittances from Turkish workers abroad are expected to be less than last year. In 1974 workers' remittances amounting to $1.4 billion covered part of the $2.3 billion trade deficit.

U.S. share drops

The share of Turkey's imports coming from the United States, excluding military shipments, amounted in the first quarter of 1974 to 11.0 percent and in the same 1975 period to 9.3 percent. The decline in U.S. market share was due to the fact that Turkey's overall imports increased relatively faster than imports from the United States.

Machinery and equipment needed for construction of power plants, petroleum exploration, and modernization and expansion of mineral, food processing, fertilizer and pulp and paper industries continues to offer good sales opportunities. Good prospects also exist in transportation, the improvement of which continues to have high priority in the Five-Year Plan.

Although no signs of improvement have been detected in the implementation of Turkey's investment law, Turkey's association agreement with the EEC requires close international cooperation at the enterprise level, establishment of joint ventures, and conclusion of licensing agreements to a far greater extent than at present, since Turkey's industry should eventually be in a position to compete with imports from EEC countries on the domestic market.

Trade With Socialist Nations Maintains Favorable Balance

Surplus Of More Than $1 Billion Expected For '75

U.S. trade with the socialist countries continues at the high levels established in recent years and may yield the United States a surplus of more than $1 billion by the end of 1975, according to Andrew Elias of the Bureau of East-West Trade.

Although U.S. exports to the socialist countries during the first five months of 1975 declined as a whole by about 7 percent when compared with exports for the same period of last year, this decline was due almost entirely to a significant drop in orders from the People's Republic of China (PRC), for agricultural commodities. U.S. exports to the USSR and Eastern Europe are considerably higher so far in 1975 than they were during the first five months of 1974. At the same time U.S. imports from those countries decreased from $440 million to $375 million, or about 15 percent.

The current trend of U.S. trade with individual socialist countries indicates a 1975 U.S. surplus with all socialist countries except Albania and the Mongolian People's Republic with which we may have small deficits. The largest surpluses are expected with the USSR ($500 million), Poland (well over $200 million), Romania (about $150 million), and the PRC (about $100 million.)

Recent trends

U.S. trade with the socialist countries, although increasing rapidly in recent years, still represents only a small fraction of U.S. total trade. In 1971, before the active policy of detente was initiated, U.S. exports to all socialist countries represented less than one percent of total U.S. exports. Corresponding U.S. imports in that year amounted to only about one half of 1 percent. In 1973, due to this country's huge shipments of agricultural commodities, especially to the Soviet Union, PRC, and Poland, U.S. exports to the socialist countries reached over 3.5 percent of total U.S. exports. This percentage dropped to nearly 2 percent in 1974, mainly because of considerably reduced U.S. exports of foodstuffs, primarily to the Soviet Union. U.S. imports from the socialist countries have been rising steadily since 1971, reaching about 1 percent of total U.S. imports in 1974.

During the last three years (1972-74), the United States has accumulated a trade surplus with the socialist nations of almost $3.7 billion. Of this amount, $0.6 billion represented a surplus with Eastern Europe, $1.7 billion with the Soviet Union, and almost $1.4 billion with the PRC. Aside from foodstuffs, U.S. shipments to the socialist countries during the period consisted mostly of manufactured products, such as various machine tools and equipment, pumps and compressors, aircraft and parts, automotive manufacturing equipment, and electrical machinery and apparatus. About one-half of all U.S. non-agricultural exports to the socialist countries went to the USSR, one-third to Eastern Europe, and one-sixth to the PRC. Total U.S. exports to this area during the period were distributed as follows: 42 percent to the USSR, 30 percent to Eastern Europe, 28 percent to the PRC.

U.S. imports from the socialist countries during the same period amounted to more than $1.9 billion, of which 55 percent came from Eastern Europe, 34 percent from the Soviet Union, and 11 percent from the PRC. Almost three-fifths of those imports consisted of nonagricultural commodities, distributed as follows: 51 percent from Eastern Europe, mostly machinery and transport equipment and miscellaneous manufactured articles; 37 percent from the Soviet Union, mostly platinum group metals; and 12 percent from the PRC, mostly cotton fabrics and tin and tin alloys.

U.S. trade with the socialist countries—with the exception of Poland—is presently hampered by the absence of Most-Favored-Nation (MFN) agreements and by the conditions and limitations imposed on the extension of Eximbank credits.

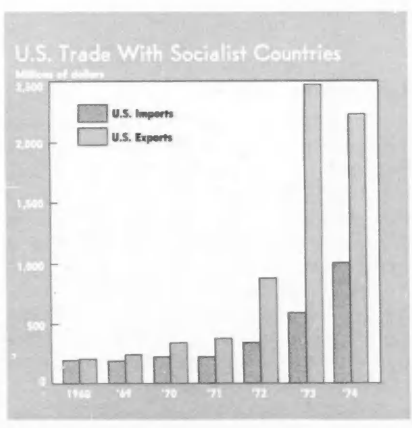
The lack of MFN agreements with the United States affects different socialist countries differently. Those exporting predominantly manufactured products on which the non-MFN duty is relatively high may find it very difficult, if not impossible, to compete in the U.S. market. But even those socialist countries which export large quantities of raw materials and semi-manufactures are penalized, since the structure of their exports to the United States is, in effect, frozen until they receive the MFN treatment. Since all socialist countries are pressing for further industrialization, which is also reflected in the structure of their exports, the continuous denial of MFN treatment by the United States is becoming more and more costly to all of them.

Besides restricting export potentials of the socialist countries, lack of MFN treatment is also holding back major joint projects between U.S. firms and some Eastern European countries and the USSR. As these projects often involve eventual exports of their future products to the United States, such exports could be unfavorably affected by the high non-MFN tariffs. When completed, some of these projects could supply the United States with products in limited supply in the U.S. market, such as energy source materials and products requiring large amounts of energy for their manufacture.

It is expected that the socialist countries, especially the Soviet Union, in their trade with the United States will continue to suffer substantial trade deficits over the next several years. They hoped to finance at least parts of those deficits through Eximbank credits. However, if such credits continue to be denied to them, the USSR and some of the East European countries may direct their purchases to the Western competitors from which government-supported loans are more easily available.

Future prospects

U.S. prospects for future trade with the socialist countries depend very much on what happens in the U.S. Congress. A recent letter of President Ford to Representative Al Ullman, Chairman of the House Ways and Means Committee, and to Senator Russell Long, Chairman of the Senate Finance Committee, indicated the need to modify those provisions in the Trade Act of 1974 that link extension of MFN and Eximbank credits to emigration policies of the socialist countries. If no action is taken on this legislation, U.S. trade probably will continue to grow with Poland and Romania; with Bulgaria, Czechoslovakia, the German Democratic Republic, and Hungary, it is expected to stagnate around the recently attained levels; and with the Soviet Union, it should continue growing, albeit at a slower rate, at least for the next year or so. U.S. trade prospects with the PRC are more complicated, because of the country's shortage of hard currencies and also because of unsettled political issues (U.S. recognition of Taiwan). Nevertheless, trade with the PRC is expected to continue to expand, though probably at a slower rate than in recent years.



Bulgaria

Trade Grows; Feeds, Technology Wanted

U.S. trade with Bulgaria tripled in 1974 and has continued to increase in 1975. With Bulgaria seeking American feedstuffs and technologically advanced machinery, U.S. exports may reach a value of $50 million in 1975, up from $22 million in 1974, William T. Monroe of the Bureau of East-West Trade reports.

The sustained rise in trade comes in the wake of a general improvement in U.S.-Bulgarian relations, which included visits by two high-level Bulgarian commercial delegations to the United States, a visit by former Secretary of Commerce Frederick Dent to Bulgaria, and the establishment of a Joint Economic Council by the U.S. and Bulgarian Chambers of Commerce.

This improvement in relations faltered somewhat in January of this year with the passage of the Trade Act, which linked MFN tariff status and governmental credits to the question of "freedom of emigration." Bulgaria rejected this linkage as an interference in its internal affairs. Nonetheless, trade has continued to expand as before.

Although Bulgaria is actively seeking sophisticated American equipment, agricultural goods remain its chief import from the United States. Corn, soybean meal and cattle hides are leading import items. Similarly, main United States imports from Bulgaria include such non-industrial products as tobacco, paprika, cheese, hams and rose oil.

Areas in which Bulgaria is most interested in U.S. equipment and technology include agriculture and food processing (Bulgaria is the largest exporter of farm products in Eastern Europe), chemical processing (the chemical industry is the fastest growing industry in Bulgaria), electronics (Bulgaria is an important producer of computer components for Eastern Europe), metallurgy, construction, and deep-sea oil exploration off the Black Sea coast.

Law sparks interest

A 1974 law on cooperation with foreign firms has stimulated American business interest in Bulgaria. The law, while falling short of allowing equity arrangements, does give the Western participant management influence and a share of the profits.

The United States is sponsoring an exhibition on food and tobacco processing equipment at the annual Plovdiv International Fair in September. Several American firms will be participating.

Although the share of Bulgaria's imports from non-socialist countries increased by 9 percent last year, problems may exist in the future. Bulgaria ran a $340 million deficit in trade with hard currency countries last year and may have to divert exports to the USSR in 1975 to pay for higher-priced Soviet oil. It will undoubtedly need credits to help finance its imports and, while its credit rating remains good, there will be limits to the amount of credit that it can absorb. At the same time, U.S. firms are at some disadvantage vis-a-vis firms of other Western countries because of the unavailablity of U.S. Government-backed credits.

China

U.S. Sales Down In '75 But Prospects Good

Following record exports of agricultural goods and machinery in 1974, U.S. sales to China in 1975 are expected to decline substantially, leading to a two-way trade figure of around $400 million. According to Martha Avery of the Bureau of East-West Trade, the drop in trade from $934 million in 1974 has resulted from a virtual cessation of U.S. grain sales. Chinese exports to the United States continue to show moderate growth, and prospects for U.S. non-agricultural exports remain promising.

Excellent Chinese harvests in 1974, commitments to Canada and other wheat producers, and the continuing shortage of foreign exchange contributed to China's failure to renew grain contracts in the first half of 1975. However, other indications show that trade contacts are steadily improving. A San Francisco Chamber of Commerce mission visited China in May, and a Chinese textile delegation toured the United States in February-March. An Electronic Industries Association group's visit to China is scheduled for July, and the PRC's China Council for Promotion of International Trade is planning a trip to the United States in September.

Canton fair popular

U.S. attendees at the spring Canton trade fair this year exceeded all previous levels, totaling around 440 representatives of some 275 U.S. companies. Two-way business contracted amounted to $60 million and for the first time in several years, PRC export contracts were concluded in foreign currencies, including dollars, indicating a willingness to facilitate sales on the part of the Chinese.

Chinese oil production is rapidly expanding, though exports in 1975 may not cover the imbalance in trade. Estimated PRC crude oil output for 1974 was 65 million metric tons and exports exceeded 5 million tons with the bulk going to Japan; contracts call for 7.8 million tons for Japan in 1975. U.S. firms have exported some exploration, drilling, and production equipment to China in connection with these developments, but the totals to date are disappointingly small although some increase in these exports in 1975 is expected.

Chinese shipments of U.S. cotton have continued in 1975, constituting 50 percent of U.S. exports in the first five months of the year. Although there have been no further U.S. sales of complete plants in 1975, future prospects for machinery and equipment exports look good, in line with China's emphasis on investment in transportation, mining, and oil drilling equipment.

Further normalization of commercial relations is dependent on the resolution of the outstanding issues of diplomatic recognition, blocked Chinese assets, private U.S. claims, and MFN tariff treatment. Although an exchange of trade missions has begun, the exchange of trade exhibitions is still stymied by the outstanding issues, as are direct banking and direct shipping in Chinese or American flag carriers.

Czechoslovakia

Trade To Hold Steady; Technology In Demand

U.S. trade with Czechoslovakia should hold steady in 1975, as Czechoslovak planners and factory managers continue to look to the United States for advanced technology and equipment to update industrial processes. Despite anticipated good harvests, Czechoslovakia should also continue importing protein-rich U.S. soybeans to meet the needs of its livestock industry, according to James L. Ellis of the Bureau of East-West Trade.

Trade relations between the two countries are complicated by U.S. passage of the 1974 Trade Act, which stipulates, among other things, that certain mutual financial claims must be resolved before normal tariff treatment (MFN) can be considered for Czechoslovak goods entering the United States. Until such treatment is extended, the Czechoslovak Government is reluctant to increase imports from the United States to any perceptible extent. Helping balance the situation, however, is the fact that Czechoslovak exports to the United States continue to climb.

Czechoslovakia's economy is growing at an acceptable, if lackluster, rate of 5 to 6 percent each year. Serious problems may develop from uneven investment in new plant and processes in recent years, and from exploding world prices of raw materials, on which the country depends to keep its industry going.

Czechoslovak Government efforts to combat raw materials price increases may favor business proposals which will cut materials use or assure future supplies at specified prices. Planners appear to view advanced technology imports, on the other hand, as effective remedies for lags in investment development.

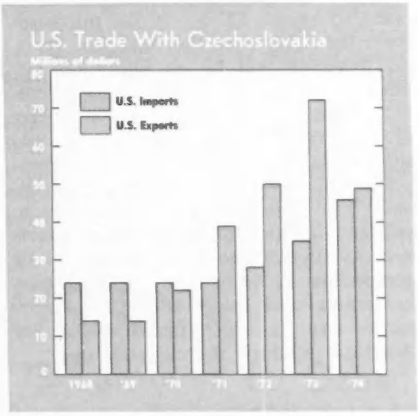
Growth areas

Areas of strong industrial growth in 1974 may signal particular trade opportunities. Output of machinery, metallurgical and chemical products, and certain consumer goods grew as much as 10 percent faster in 1974 than production of industry as a whole.

There is continued emphasis on microcircuitry, data processing equipment, automotive production, and synthetic fibers. Consumer-related areas such as electric household appliances, plastics forming equipment, and building construction are also given priority.

Development of Czechoslovakia's energy base and petrochemical industry are considered vital to the Czechoslovak economy's future well-being. Several new thermal and nuclear power stations are being constructed, and plans call for processing between 17 and 18 million tons of oil by the end of this year. In connection with the latter goal, the country has recently made purchases of chemical equipment in the West approaching $100 million.

A number of trade fairs and other promotional events offer possibilities for potential business partners with Czechoslovakia. The U.S. Government is again sponsoring an exhibition for U.S. firms at the fall Brno Engineering Fair, and a trade delegation led by the President of the Czechoslovak Chamber of Commerce plans to visit the United States in October.



German D. Rep.

Raw Materials Prices Dim Trade Prospects

A substantial price increase for the raw materials the German Democratic Republic purchases from the Soviet Union, including a doubled petroleum bill, is likely to dampen significantly the GDR's ability to expand imports from its Western trading partners—including the United States.

Michael Hutchinson of the Bureau of East-West Trade reports that the GDR imports from the USSR almost all of its petroleum needs, or about 15 million tons annually (90 percent of its requirements). To pay for higher priced oil and raw materials the GDR will have to direct more of its machinery and other export goods to the Soviet Union, thus hampering to a degree its ability to generate the foreign exchange necessary to buy Western products. This situation will aggravate the GDR's trade deficit with Western countries which reached an estimated $3 billion at the beginning of 1975.

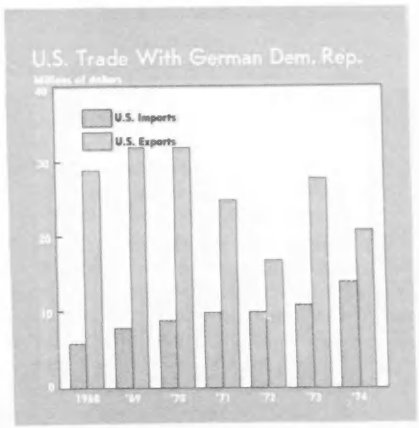
Despite establishment of diplomatic relations last September, U.S. direct trade with the GDR continues at a minimal level. U.S. exports to the country reached only $20.9 million in 1974 and $4.5 million over the first five months of 1975. While this trade has never been large, these exceptionally low values show the vagaries of GDR agricultural buying which causes the value of GDR trade with the United States to fluctuate widely from year-to-year. On the average about 80 percent of annual U.S. exports to the GDR consist of agricultural products (corn, wheat, soybean products).

Potential for improvement

Despite trade deficit problems, and the availability of more favorable tariff treatment and credit availabilities elsewhere in the West, there remains a potential for significant improvement in U.S.-GDR trade. With a GNP of about $60 billion and a highly industrialized base, the GDR represents a vast potential market for a wide range of U.S. goods, a potential which should be realized as relations develop and expand over time.

Product categories which appear to offer the most promising sales potential for U.S. firms include chemical/petrochemical processing equipment and instrumentation, electrical power machinery and equipment, materials handling equipment, metalworking machine tools, industrial process control and measuring instruments, and construction and mining machinery. Areas in which there may also be a strong market for U.S. equipment include business machines, large factory scale textile machinery and equipment, electronic components, scientific and medical instruments, telecommunications equipment, and pulp and paper production equipment.

Commerce trade promotion plans for the GDR for FY76 include a technical sales seminar covering chemical equipment in November 1975 and an industrial instrumentation exhibition for the 1976 Leipzig Spring Fair, March 14-21. Firms interested in participation should contact Michael Goodwin or Judith Robinson, Bureau of East-West Trade, U.S. Department of Commerce, Washington, D.C. 20230; phone, 202-967-4810.



Hungary

Trade To Continue Moderate Growth

Reflecting the trend of the past few years, U.S.-Hungarian trade should continue its expansion during the second half of 1975 and 1976, reports Mona F. Levine of the Bureau of East-West Trade.

Concrete improvement in bilateral commercial relations and Hungarian trade deficit problems will counterbalance each other as determinants of future trade development. Two-way trade turnover should surpass the 1974 level of $131.8 billion. U.S. exports for the first five months of 1975 totaled $47.4 million, well above the $31.7 million figure for the same period of 1974.

To stimulate trade, Hungary has recently made several decisions which should make it easier for U.S. firms to do business. Foreign firms are now permitted to open offices in Hungary as a result of a law effective Jan. 1. Publication of tax regulations in May eliminated the last legal obstacle to the establishment of offices by U.S. firms. Finding adequate facilities and office space in crowded Budapest remains a problem, however. Another important piece of new legislation allows Hungarian enterprises to enter into joint ventures in third countries to promote production services and foreign marketing activities. Initiation of services into Budapest by Pan American World Airways is an encouraging sign.

Negative factors

On the negative side, however, Hungary suffered a severe trade deficit in 1974 and indications are that the deficit will be even greater in 1975. The economic slowdown in the West has made it difficult for Hungary to market its products abroad. As Hungary relies on sales of its exports to finance hard-currency purchases from the West, it must cut back on its imports. Another factor forcing Hungary to restrict hard-currency imports is the higher price the Soviet Union is charging its CEMA partners for oil. Since Hungary relies heavily on the Soviet Union for petroleum, it may be necessary to allocate hard currency for energy purchases. For U.S. firms, the situation is further complicated by the absence of Most-Favored-Nation status for Hungarian products imported into the United States and by the lack of government backed export credits on sales to Hungary.

Despite these restrictions, Hungary will continue to import from the West those commodities vital to its economic development. Although the 1976-80 five-year plan has not been published, Hungary plans to spend $3 billion on purchases from the West over the next five years. As financing will be an important element in Hungarian purchasing decisions, U.S. firms may find that sales are being diverted from parent companies to subsidiaries in Western Europe, where competitive financing arrangements are available. The United States will continue to sell large amounts of agricultural products such as soybeans to Hungary and to be competitive in fields such as electronics, computers, and heavy duty farm equipment—areas in which the superiority of American products is well established.

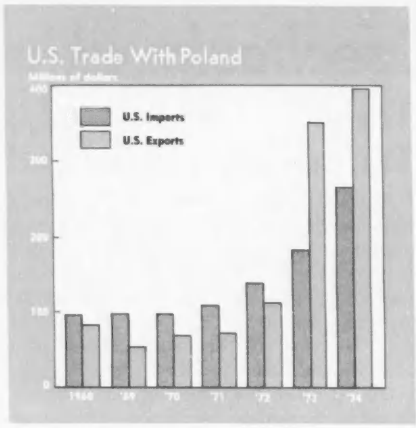
Poland

Industrial Expansion Spurs Machinery Need

Trade with Poland continues to expand vigorously this year, with U.S. exports running 33 percent above last year's, notes Susanne S. Lotarski of the Bureau of East-West Trade. Exports of $232 million during the first five months yielded the United States a trade surplus of $126 million. Imports from Poland are holding steady after advancing 43 percent last year. Rising sales of machinery and equipment can be expected to boost total U.S. exports to Poland in 1975 to between $500 million and $550 million.

Record sales by U.S. firms at the 1975 Poznan International Technical Fair are indicative of the Polish demand for modern industrial goods.

An increasing portion of Poland's foreign purchases is being made in the West (50 percent in 1974), and its position as a raw material exporter has improved its terms of trade with the West. Poland increased such exports in 1974 by 46 percent to $3.7 billion, thanks in part to increased demand for its coal and to rising hard coal prices. The 50 percent increase in Western imports, however, which totaled $5.8 billion, resulted in a $2 billion trade deficit.



Rich raw material resources and a low debt service ratio should permit Poland to continue the high rate of imports essential for its economic development and modernization program. Increasing stress, however, is being placed on the principle of self-financing which requires economic units to cover the hard-currency costs of their imports through exports. Product buy-back, long-term cooperation, and marketing schemes will assume greater importance in purchasing decisions, which will require Western exporters to develop new sales strategies.

High priority has been assigned to expanding agricultural production and food processing, which will require imports of specific machinery as well as capital equipment. Poland imported $240 million worth of agricultural equipment in 1974. Prominent in 1975's imports will be fodder plants and equipment for egg farms. In developing the agricultural machine industry, priority will be given to harvesting equipment for grain crops, green fodder, potatoes, and sugar beets, and also to equipment for mechanization of animal breeding, milking, and poultry farming.

Poland's second fastest growing industry, chemicals, is also slated for expansion under a long-term "Program for the Chemicalization of the Economy." It is estimated that during the 1976-80 five-year plan, Poland will import on the average $200 million worth of chemical machinery and equipment annually from the West. Western cooperation will be sought for coal conversion; oil refining; polystyrene, polyurethane, and polyester production; electrolytic chlorine plants; fertilizer and pesticide plants; and equipment for producing cosmetics and dyestuffs.

Suppliers of consumer goods should look into the relatively large and untapped market offered by the network of Pewex or "dollar stores," which sell imported items to both foreigners and Poles for hard currency.

Romania

Pending Bilateral Pact Boosts Trade Prospects

Recent years have witnessed a marked improvement in trade relations between the United States and Romania, as shown by the significant increase in U.S.-Romanian trade. In 1970 U.S. two-way trade with Romania was a modest $79.8 million, while in 1974 this trade rose to $407.6 million, Donald J. Hasfurther of the Bureau of East-West Trade points out.

U.S.-Romanian trade prospects received a boost with the signing April 2 of a U.S.-Romanian Trade Agreement. The agreement, now pending in the Congress, provides for the extension of nondiscriminatory MFN treatment to Romanian goods and in general creates a more favorable climate for increasing American exports to the growing markets of Romania. Under the agreement, total U.S.-Romanian trade should increase steadily to a level of $1 billion by 1980.

The agreement comes opportunely at a time when Romania is looking for Western equipment and cooperation for numerous projects under their ambitious 1976-80 five-year plan. Opportunities are particularly good for the export of machine tools, chemical and petrochemical processing equipment, industrial process and control instrumentation, non-ferrous metal processing equipment, and construction and mining equipment.

Specific projects which might be of interest to U.S. firms are the Danube-Black Sea canal, construction of the Bucharest subway, the Calarasi iron and steel center, construction of a new harbor at Constanta Sud-Agigea, a new Danube hydroelectric power project, and construction of a Black Sea petroleum refinery. These projects will require a wide range of equipment, along with engineering skills.

In addition, Romania's agricultural sector offers significant trade and investment opportunities for U.S. business. Long a neglected sector in the Romanian economy, agriculture will receive a far greater priority during the 1976-80 period than in past years. In addition to continued mechanization, including modern handling and processing equipment, a great part of the investments in agriculture will come in the area of irrigation, land reclamation and flood control. The World Bank has recently provided financing for two major agricultural projects, the Giurgiv-Razmiresti Irrigation Project and the Sadova-Corabia Agricultural Complex. These and similar projects offer a wide area for cooperation between U.S. firms and Romanian enterprises.

In addition, the Romanians are extremely interested in U.S.-Romanian cooperation arrangements in third countries. The Romanians argue that they can supply inexpensive labor, as well as easier entry into many third countries due to the fact that the country has excellent relations with many Middle Eastern, African and Asian nations. Two areas of special interest to the Romanians, with respect to third country cooperation, are petroleum and metallurgy.

USSR

'75 Turnover To Grow; Longer Term Clouded

U.S.-Soviet trade turnover in 1975 is expected to reach about $1.75 billion, exceeding the record level of 1973, and to yield a trade surplus for the United States of around $850 million, according to the Bureau of East-West Trade's Jack Brougher. Partly as a result of expected large Soviet purchases of U.S. grain, exports to the Soviet Union should grow by about $700 million, reaching close to $1.3 billion. The uncertainty of the Soviet grain situation makes any projection of U.S. exports to the USSR very tentative. U.S. imports should amount to about $450 million.

These developments reflect to some extent the favorable trading climate prevailing in 1972-74. The longer term outlook is clouded, however, by the Soviet decision not to bring into force the 1972 U.S.-USSR Trade Agreement under the conditions stipulated by the Trade Act of 1974 and the Eximbank Amendments of 1974.

Subsequent to the Soviet decision, representatives of both nations have stated that they intend to continue working toward improved relations, including development of mutually advantageous trade. Although Soviet officials have noted that the absence of MFN and U.S. Government credits will be a hindrance,

USSR foreign trade organizations are continuing to negotiate and conclude contracts for large orders of U.S. equipment.

Since the January announcement of the Soviet decision, U.S. companies have won substantial contracts for such items as submersible pumps; crawler tractors; component kits, equipment and technology for production of hand-held electronic calculators; a monorail system for hot metal castings; a conveyor system for a foundry molding line; and equipment and technology for an industrial tractor plant, a fur plant, and a half-bearings plant.

Exports of grain and machinery should continue, as in 1974, to make up the major portion of U.S. shipments to the USSR in 1975. Imports are following the pattern of recent years, consisting almost completely of crude materials, mineral fuels, chemicals, and semi-manufactures, such as platinum group metals, nickel alloys, base metals, and concentrates.

In the first half of the seventies, the USSR began to increase its reliance on imports from Western countries including the United States of equipment and technology to upgrade its auto and truck, chemical, iron and steel, gas and oil, and wood products industries. Under the new five-year plan, the Soviet Union will increase its imports of technology and equipment from the West as part of a program to modernize and expand various industries, transportation, communications and agriculture, and at the same time significantly improve living conditions.

Since 1970, USSR commerce with the West has been the most dynamic element in Soviet trade expansion and, at $16.4 billion, has come to constitute almost one-third of total USSR foreign trade.

The extent of future U.S. participation in this trade will be related to the degree to which trade between the two countries can be normalized. President Ford in his State of the World message this spring asserted in reference to trade with the Soviet Union: "Remedial legislation is urgently needed in our national interest."

Near East-North Africa: Land Of Oil, Opportunity

Imports Needed For Big Development Programs

The change in the terms of trade resulting from the rapid rise in the price of crude oil which began in 1973 has changed the entire complexion of the Near East/North Africa market. The oil producing countries of the region now have revenues four and five times their pre-1973 income and they are using these funds for massive economic development programs in their own countries as well as for loan assistance for projects throughout the area. These development programs plus heavy requirements for American agricultural products and defense equipment should lead to further record sales of U.S. goods and services.

American exports to the Near East and North Africa are expected to rise to $10 billion in 1975, and American firms are expected to compete for consulting and construction contracts involving many billions of dollars, according to Kay Thompson of the Bureau of International Commerce. Foreign exchange earnings for this 19-country market of 150 million people may reach $100 billion in 1975, with imports absorbing $50 billion. With aggressive efforts on the part of American firms, the U.S. share of the Middle East market should be 20-25 percent.

Opportunities for sales exist in all countries in the region. The major oil producers in the area have been generous in their loan and grant programs resulting in impressive levels of economic activity throughout the Middle East area. The largest and most diversified markets are Algeria, Iran, Iraq, Israel, Libya and Saudi Arabia, where development programs are being accelerated and expanded. The U.S. share of market in Algeria, Libya and Iraq has tended in the past to lag behind European suppliers, but in the last year even these countries have shown a new willingness to accept U.S. products and technology where these are superior and/or competitively priced, and U.S. sales to these countries are soaring.

Government policy

The Middle East economies range from those with broad government ownership such as Iraq, Libya, Algeria, Kuwait and Egypt to the private enterprise oriented economies of Israel, Saudi Arabia, Lebanon and the United Arab Emirates. In all of the countries of the Middle East, however, the government plays an important role in economic decision-making. There is, in government circles, tremendous concern over the low standard of living for much of their populations and a concomitant commitment to expand the social, cultural, and economic opportunities. Government contracting for goods and services in social welfare areas such as education, health, and housing is proceeding at a very rapid rate. To improve investment prospects and thus the range of job opportunities, Middle Eastern governments are also heavily involved in projects for the development of communications, highways, railroads, ports, power and water.

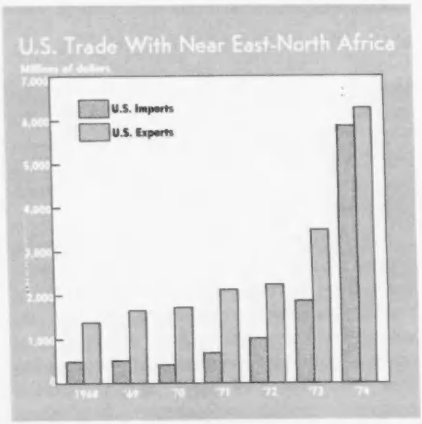
Foreign investment is being actively courted by the governments of Egypt, Jordan and Israel. Capital surplus countries such as Saudi Arabia, Kuwait, Iran and the United Arab Emirates are seeking foreign expertise and technology and they usually require small amounts of equity investment as earnest money.

The rapid pace of development has created problems for firms exporting to the Middle East. Scarcity of trained local decisionmakers and administrators, as well as other skilled labor, heavy port congestion, and limited internal transportation and communications all act to inhibit trade expansion. These problems are likely to be accentuated in the short-run until government programs become operational.

Doing business in the area

Personal relationships between seller and customer are essential in Near East markets. Business is conducted in the traditional, unhurried manner, with a critical scrutiny of the visiting businessmen and subjective criteria an important part of the decision-making process.

Other important elements in successful sales operations in the Near East /North Africa market are complete project packages and prompt and efficient service follow-up. The scarcity of trained managers throughout the region has made package project sales very attractive. The firm that offers a complete package of design engineering, construction, and training both in the country and in the United States has a significant advantage over competitors. Ability to service equipment or willingness to establish a service facility is also an essential part of a competitive sales package.



A willingness to be flexible in other areas can also be helpful to American businessmen seriously interested in long-term business relationships in the Middle East. There are critical shortages of the amenities and advantages taken for granted in the Western developed world. For example, before a project can be initiated, it may be necessary to create housing for required staff and labor, to recruit and transport labor from surplus labor countries, to provide education facilities for workers and dependents, and to establish health care centers and recreation facilities. It is helpful to form partnerships with local, well-established firms who know the country, its people and customs. Associating with a local agent or partners is required in Saudi Arabia and a distinct asset in all other countries of the region.

Requirements, rewards

In summary, successful business operations in the Middle East require substantial groundwork, a diversity of personal support activities, a close working operation with local businessmen, considerable patience, versatility and a long-run point of view. But the potential rewards are unlimited.

There is a market for almost any product in the Middle Eastern region, as these economies are developing and expanding at a rapid pace. However, it is possible to identify certain product categories receiving highest priority at the present time. Much of our record trade with the area rests on the supply of agricultural products. Of the $6.3 billion supplied by the United States during 1974, exports of agricultural products accounted for well over $1 billion and they are expected to rise considerably in 1975. Programs for enlarging national airlines in Middle Eastern countries have resulted in large orders for wide-bodied civilian aircraft valued at hundreds of millions of dollars.

In architecture, engineering, and construction, opportunities are practically limitless, especially in such areas as port and airport expansion, highway and railroad development, construction of new cities and gas liquefaction and desalination plants.

Service contracting, for operation and maintenance in such fields as hospital

administration and port management, is another area of rapidly expanding opportunities.

A high level of capital equipment imports will be necessary to complete plans for industrial diversification in the area. Potential projects range from heavy to light industry, with emphasis on petroleum-based industries—particularly petrochemicals, and including steel mills, aluminum smelters, textile plants, automotive and truck assembly plants, electronic industries and railway equipment plants. Saudi Arabia, Iran, and Egypt are actively seeking agribusiness industries, creating opportunities for sales of agricultural machinery and equipment as well as livestock and poultry.

CAGNE's role

The Commerce Action Group for the Near East (CAGNE) in the Bureau of International Commerce was established to serve as the focal point for the total Commerce Department response to the new economic situation in the Near East and North Africa. It pulls together all of the many resources of the Department that can contribute to the competitive advantage of Americans conducting business in this market. CAGNE is conducting business seminars across the country and issuing publications to create greater awareness of the many new commercial opportunities arising daily in this fast-moving market.

CAGNE'S revised publication, *The Near East and North Africa: A Report to U.S. Business*, describes trade and investment opportunities in the area, advises American businessmen how to do business there, lists facilities (such as American and local banks) available in each country, and outlines the various kinds of help available from the Department of Commerce and other U.S. Government agencies.

CAGNE is also involved in the bilateral Joint Commissions for economic and commercial cooperation that have been formed between the United States and Egypt, Israel, Jordan, Iran, Tunisia and Saudi Arabia. U.S. firms are encouraged to investigate the Joint Business Councils formed with Iran and Egypt, which arose through Joint Commission efforts but are now private organizations with secretariats in the U.S. Chamber of Commerce. Each of the Joint Commissions is pursuing trade and investment opportunities and seeking ways to involve U.S. business in the economic development efforts of the countries involved.

In the first half of 1976, the U.S. Trade Center in Tehran will host exhibitions of housing systems, energy systems, meteorological instruments, furniture and accessories, medical equipment and supplies, and business and office equipment. Contact Don Ryan, 202-967-4652.

Israel

Economy Is Sound; Imports Are Expanding

Israel's overall economic expansion will mean an increase in its total imports through 1975. Israel's imports from the United States increased by about 25 percent last year and will probably rise another 30 percent in 1975. However, the potential for additional American sales is actually greater, according to G. Gayle Reichhardt of the Bureau of International Commerce. The U.S. share of the Israeli market has declined steadily over the past three years and American businessmen will benefit greatly if they can reverse this downward trend.

Despite restrictive government policies, Israel's 1974 GNP increased by 7 percent. The government's austerity measures announced last November included a 43 percent devaluation of the pound to inhibit inflationary pressures and safeguard foreign exchange reserves. In February 1975, plans were announced to increase taxes, shifting most of the tax burden from the wage earner to the consumer. Then in June, the government devalued the pound by another 2 percent and announced that it could be further devalued by 2 percent monthly, whenever necessary. By providing for small, regular devaluations, Israel hopes to discourage monetary speculation.

Inflation probably will continue during this year but at a reduced rate of 20-30 percent. Since October 1973, however, Israel's gravest economic problem has been its balance of payments deficit. Contributing factors are defense imports, the decrease in tourism, and increasing world prices for petroleum, food and raw materials. Israel's current account deficit is expected to remain at about $3.3 billion and foreign exchange reserves at about $1.2 billion.

Despite economic problems, Israel's GNP for 1975 is projected to increase in real terms by 3 percent. Although unemployment has increased marginally, serious labor shortages persist on many sectors. Nonetheless, Israel's economic health is sound and the country continues to offer significant opportunities to U.S. exporters and investors.

Last year the United States remained Israel's largest supplier with a market share of 18 percent, smaller than the U.S. share for the two previous years. To reverse this trend, American businessmen must seek out sales and investment opportunities aggressively. Several factors will be in their favor.

Israel has a high regard for America as a supplier of high quality capital goods, although American exporters must prove that they will provide after-sales support in terms of service and parts. Although the direct ban on importing most luxury goods has been lifted, Israel still discourages consumption and importation of luxury goods. However, those are goods for which the United States has never been a prominent supplier.

Israel's high priority on defense-related industries and production for export does present several attractive areas for U.S. firms, notably chemical processing equipment and instrumentation, electronics, computers and related equipment, process control instrumentation, and avionics and aviation support equipment. There are also plans to expand Israel's electric power generating capacity and railway networks, both of which offer opportunities for American suppliers. Since Israel's interest rates are relatively high, U.S. firms should benefit from the new liberalized policy toward short-term supplier credits.

Israel believes that its efforts to attract foreign investment will be reinforced by the recent devaluation and by the recently signed association agreement with the EEC. American investors engaged in joint ventures with Israel will benefit from more favorable terms in trading with Common Market countries. Many other incentives are being offered to foreign investors, with a particular emphasis on science-based industrial investment, e.g., the chemical, computer, and telecommunications and electronics industries. Joint ventures and technology licensing are particularly encouraged by the Israeli Government in such export-oriented areas as metalworking, textiles, fashions and food processing. From the U.S. side, the Overseas Private Investment Corporation (OPIC) offers a full range of insurance coverage for investors in Israel, and the recently initiated U.S.-Israel tax treaty, when ratified, will improve the business climate further.

To increase world awareness of Israel's capacity and potential in the metal industries, the Government of Israel is sponsoring ISMETAL '75, Oct. 5-10.

Algeria

Industrialization Move Elicits Opportunities

Opportunities for U.S. exporters, consultants and turn-key contractors abound as Algeria pursues its $27 billion state-directed investment program for 1974-1977. The outlook for American exports is excellent, reports Laron Jensen of the Bureau of International Commerce, who expects them to double in 1975 for the third straight year, to $630 million.

Although firm statistics are rare, Algerian imports in 1975 may aproach $6 billion, compared with $5 billion in 1974, according to January projections by Algeria's Ministry of Commerce. Although this total may prove optimistic by year's end, the Ministry estimated machinery and capital equipment imports to total $2.5 billion; foodstuffs, mainly cereals, $2 billion; and raw and semi-processed goods such as cement, lumber, textile fibers, rubber and fertilizers, $1.5 billion.

The 1975 investment budget is $6.7 billion, of which one-third will be made by the central government and the remainder by state enterprises which control most sectors of the economy. Industry receives the lion's share of the total, 40 percent; also receiving emphasis are transport, rural development, and education and training.

Eyes of government planners are on "Horizon 1980" as the push toward establishing a modern industrial economy gains momentum. The 1974-1977 Plan devotes 44 percent of funds to the building industry, including $10 billion for imported capital equipment.

Petroleum and gas fuel Algeria's economy and account for some 90 percent of projected 1975 export earnings of $5.2 billion. Additional needed financing must come from suppliers' credits, loans from international agencies such as the World Bank, and American, Arab and European banks. Algeria is reportedly seeking nearly $1 billion from foreign banks this year alone.

Algeria's balance of payments, $500 million in surplus in 1974, is expected to reverse itself in 1975 due to renewed heavy foreign borrowing, and decreased revenues from oil and gas.

Oil production fell 7.5 percent in 1974 to 47 million tons due partially to pressure problems at older fields. Exploration for new fields is under way with the help of some U.S. firms. Almost five billion cubic meters of natural gas were liquefied and sold to Europe last year, less than anticipated because of technical problems at the Skikda liquefaction facility, which has been partially shut down off and on for two years. These problems are being resolved, and with new LNG processing lines under construction, by 1978 Algeria should be liquefying 19 billion cubic meters of gas.

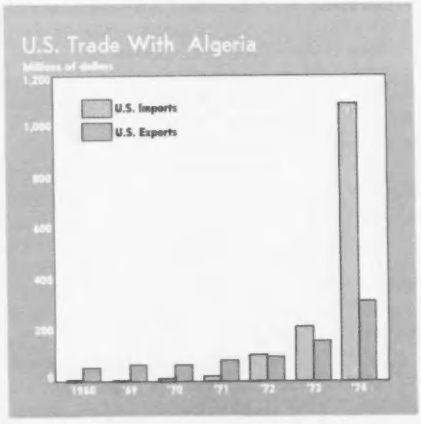
Key industries emphasized under the current plan include hydrocarbons, petrochemicals, iron and steel, aluminum, electrical and mechanical industries, building and construction materials, food industries, textiles and pharmaceuticals.

Hundreds of international calls for bids are issued annually, many for "product-in-hand" turn-key facilities requiring foreign contractors to provide comprehensive training for Algerian workers and supervise initial plant start-up. Government officials have said that the quality of personnel training associated with a given project is as important to them as the plant's projected output.

Marketing in Algeria consists of matching one's products or services to a particular tender or to a sector targeted for expansion by the Plan; corresponding and supplying literature in French (English is rarely understood); and long, hard bargaining with sophisticated technocrats. The ground work must be done without agents or middlemen, which are officially discouraged by the Algerian Government. European competition is intense but the door is wide open to Americans with solid proposals.

Best prospect categories for U.S. suppliers include electronic components, refrigeration machinery, electrical generating and distributing equipment, metalworking machinery and machine tools, valves, pipes, pumps and compressors, engines and turbines, construction machinery, computers, and business, transportation, telecommunications and food processing/packaging equipment.

Information on Commerce trade promotions in Algeria and on Algerian needs, including loan copies of the Plan, can be obtained from the Commerce Action Group for the Near East, Bureau of International Commerce, DIBA, Commerce Department, Washington, D.C. 20230, telephone 202-967-5737.



Egypt

Imports From U.S. Continuing To Expand

The highlight of the year for the Arab Republic of Egypt was the June 5 reopening of the Suez Canal. Now that this economic priority has been met, Egypt will be pressing on with programs of reconstruction of the cities along the canal, reactivation and greater utilization of industrial capacity, increased equipment and spare parts imports, and a rehabilitation of the economic infrastructure. Attention also will be given to the liberalization of the private sector and to the provision of incentives to private foreign investors.

All of these efforts should create opportunities for the sale of U.S. equipment and services, reports John T. Haldane of the Bureau of International Commerce.

The reopening of the Suez Canal was a major economic event, with ships now moving through on a regular basis. The director of the Suez Canal Authority has predicted that revenues will reach $450 million per year when the canal is fully operational, compared to an income of $250 million in 1966. The canal will be dredged and expanded to increase the draft level from its current 38 feet to 67 feet by 1983.

Egypt continues to import increasing amounts of U.S. goods, with emphasis on food grains, animal fats and oils, construction and mining machinery, trucks and cars, newsprint, and spare parts. U.S. exports to Egypt totaled $455 million in 1974, compared to $225 million in 1973, and are expected to reach $600 million this year.

In addition to its usual income from exports, tourism, and Suez Canal operations, Egypt continues to receive assistance from other countries. Egypt has received an estimated $4 billion in investments, loans, lines of credit and outright grants from foreign countries over the last two years, with Saudi Arabia, Kuwait and Iran emerging as the main contributors.

As part of Egyptian efforts to liberalize the economy and encourage the development of a private sector, a decree was issued recently permitting private individuals and private firms to qualify as representatives or agents for foreign firms. Thus U.S. firms now may choose either a public sector company or a private firm or individual as its agent in Egypt.

Of continuing high priority are the government's plans to expand its agricultural output both through moderniza-

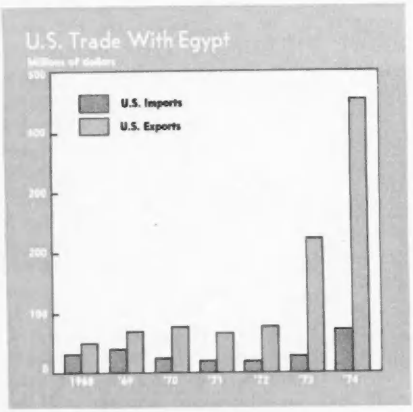
tion and by land reclamation. This is necessary not only to increase employment, for agriculture is the leading employer of the economy, utilizing 50 percent of the work force, but to continue to feed Egypt's expanding population. Egypt plans to put an estimated 1.5 million acres of fringe Nile valley land under cultivation and to reclaim an additional 500,000 acres from the desert by 1980.

A U.S. railway technology mission visited Egypt in February and developed a number of trade opportunities. A May visit of a U.S. textile equipment mission also was very successful and proved to be most timely in view of increased Egyptian emphasis on modernization and expansion of its textile and cotton ginning industries.

A U.S.-Egyptian Joint Business Chamber has been formed and will be affiliated with the Chambers of Commerce of the United States and of Egypt. This private organization will devote its efforts to developing and furthering business and investment opportunities in Egypt.

By liberalizing its policies governing foreign investment, the Egyptian Government hopes to attract foreign investments which would help further the country's economic and social development plans. To encourage such foreign investments, that government has passed a law providing several incentives such as provisions for foreign ownership of businesses, the remittance of tax and profits, tax exemptions and the establishment of free zones. Priorities have been established for programs to reconstruct and expand cities along the Suez Canal, to maximize the use of existing industrial capacity, and to rehabilitate already existing economic infrastructure. Foreign investments are particularly encouraged which would generate exports, encourage tourism, reduce the need to import basic commodities or introduce advanced technology.

To invest in Egypt, businessmen should submit an application describing the project to the Egyptian General Authority for Arab and Foreign Investment and Free Zones.



Iran

Focus On Development As Oil Revenues Soar

Iran's oil revenues are expected to approach $21 billion in 1975, providing one of the world's most attractive markets for U.S. suppliers of all types of goods and services. U.S. exports are projected to rise to $3.3 billion in 1975. The dramatic increase in the price of crude oil has resulted in an equally dramatic acceleration of Iran's development efforts, according to Kay Thompson of the Bureau of International Commerce.

Capital investments under Iran's ambitious Fifth Plan (1973-78) are now projected at $69.6 billion, or almost double the amount originally set in March 1973.

Even prior to the recent economic boom, Iran could boast an impressive record in economic growth and development. GNP expanded at an annual rate of over 11 percent in 1968-72, while per capita GNP rose 8 percent annually.

Substantial progress was made in diversifying and expanding the economic base, making Iran the only exporting country in the Middle East capable of absorbing the huge increases in capital generated by its petroleum resources, when crude oil prices jumped in 1973.

The results of the combination of past achievements and current development efforts are already apparent. Iran's real annual GNP growth rate jumped to 41 percent in 1974 and is expected to exceed 22 percent in the current Iranian year (ending March 1976). Per capita GNP is approaching $1,800, up 36 percent over last year.

Opportunities for U.S. businessmen in Iran run the gamut from capital goods to consumer goods to services. The development plan, with its emphasis on infrastructure and construction, has opened the door for imports of large quantities of capital goods such as building and construction machinery, engines, turbines, electrical equipment and electronic equipment. The market is also good for refrigeration equipment and compressors and for building accessories such as plumbing and heating equipment and fittings. Substantial imports of capital goods will be necessary if current efforts to modernize the principal seaports, which are critically backlogged, and to expand the country's internal transportation and telecommunications networks, are to be successful.

With rising disposable incomes, Iran's 33 million people are demanding more durable consumer goods, as well as placing ever-increasing pressure on the country's limited agricultural resources. Despite impressive progress in irrigation, mechanization and use of chemical fertilizers, agriculture lags behind the rest of the economy, necessitating large imports of wheat, mostly from the United States. The Iranian Government is trying to stimulate livestock and poultry production and overhaul the obsolete food processing and distribution systems, and opportunities exist for sales of goods and services in these areas. In spite of these efforts, Iran will continue to require imported agricultural commodities.

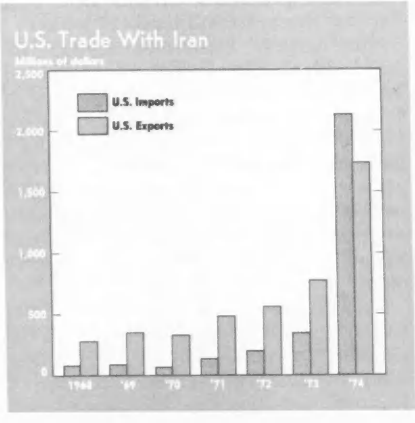
The market for consumer durable goods is expanding to absorb rising personal incomes. Items such as toys, synthetic textile fabrics, silverware, household appliances including major items such as refrigerators and laundry equipment, and furniture are in great demand.

Iran is also in urgent need of trained manpower in almost every sector of the economy, and firms offering services which will relieve these pressures will be welcomed. Services needed include programs for training Iranians as well as direct Iranian employment of foreign expertise.

The Iranian Government is attempting to balance domestic stability with rapid economic expansion. The inflation rate is now estimated at 20 to 25 percent, and a number of steps have been taken to combat it. These include import liberalization, selective price controls, and subsidized prices for certain basic commodities. The government is maintaining a good investment climate.

The U.S. share of the Iranian market was about 18 percent in 1974, up from about 14 percent in 1973. U.S. exporters are expected to maintain their market share in 1975.

To take full advantage of sales opportunities presented by the Iranian economic boom, the Commerce Department is mounting a number of product exhibits at the U.S. Trade Center in Tehran during the last half of 1975, featuring instruments and control systems, Sept. 21-25; medical equipment, Oct. 20-22; educational systems, Nov. 16-20; and toys, Dec. 14-18.



Kuwait

Oil Revenues Generate Rising Import Demand

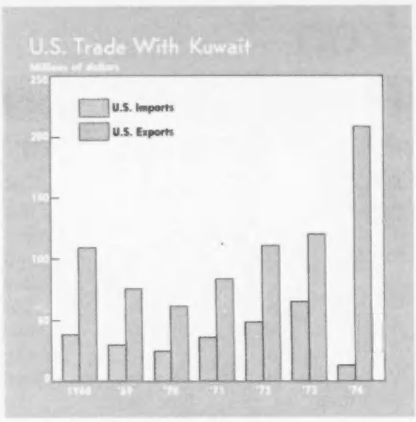
U.S. exports to the State of Kuwait in 1975 are running 66 percent ahead of last year, and should top $340 million. Sales have increased across the board, notes Frank A. Ocwieja of the Bureau of International Commerce. Leading categories are motor vehicles, air-conditioners, cigarettes, rice, construction equipment and household appliances. The boom, initiated by quadrupled oil revenues, still has a long way to go before leveling out.

Although current oil production at a little over 2 million barrels per day is down 20-30 percent from record levels in 1973, government oil revenues of over $8 billion per year are more than enough to finance continued import expansion as well as increased development aid and investments abroad. While the Kuwait Government has no intention of making Kuwait an industrial center, it is undertaking limited development of oil-related export industries in addition to small-scale manufacturing to serve the local market. The major share of public expenditures at home is being devoted to improving the physical standard of living of its citizens.

The largest scale opportunities for sales of U.S. equipment and services will be for Kuwait's highly emphasized industrial sector. The Ministry of Oil will control the development by state-owned companies of petroleum-related projects. These will include a 5.5 million-ton liquefied petroleum gas plant, a facility to manufacture aromatics from refinery naphtha, an ethylene/polyethylene complex, a new export refinery and a lube oil blending plant. In addition, Kuwait's fertilizer production will be increased. The Kuwait Oil Tankers Co. and the Kuwait-based Arab Maritime Petroleum Transport Co. will acquire LPG and refined product tankers while continuing to expand their crude oil tanker fleets. Total Kuwaiti expenditures in this field over the next five years will reach $3 billion.

The recently established Kuwait Industrial Bank has received a subordinated loan of $350 million from the Ministry of Finance. It will be the central catalyst for the development of joint venture, light industrial projects in Kuwait. Current plans envisage the erection of factories to produce electric cable and wire, sanitary ware, aluminum extrusions, cans and bags as well as an air-conditioner assembly plant.

Prefabricated concrete construction techniques will characterize much of the building programs planned by the Kuwaitis. One of the primary focuses of Kuwait's infrastructure investments will



be housing. Over $1 billion worth of low, medium, and high-income units have been slated for construction during the next five years. The next three years will see 80 new schools built, and Kuwait University plans to add colleges as total enrollment increases from 3,500 to 15,000. Six new civilian hospitals have already been tendered or soon will be, at least two of which will be of prefabricated design.

Among other important construction projects are new recreation facilities, including an Olympic sports stadium, a thematic amusement park and beach development. Kuwait's main port at Shuweikh is due to be doubled in capacity at an estimated cost of $350 million. It already serves as a regional entrepot, and may eventually be linked to Iraq by a railroad. De Leuw, Cather is designing an expressway to go south from Kuwait City, and plans exist to extend the expressway north to the Iraq border. U.S. firms are also active in commercial building design and construction. Finally, tenders will soon be issued for desalination facilities, tied in with power generation and natural gas utilization, which will expand Kuwait's water supply by 18-20 million gallons per day; additional capacity of 15-20 million gallons per day is also planned.

The significance of these infrastructure projects for U.S. firms is not only their potential for sales to Kuwait. They can lead to important follow-on contracts in third countries in connection with Kuwait's development assistance activities and foreign investment. The Kuwait Fund for Arab Economic Development (KFAED) had its capitalization increased to $3.3 billion early this year, and its charter has been revised to allow it to make loans to all developing countries. Experience in dealing with the Kuwaiti Government can provide a U.S. firm the contacts and reputation to work with the KFAED on development projects in Africa, Asia and Latin America. The Kuwait Industrial Bank has also expanded its operations.

Saudi Arabia

New Plan Will Guide Boom; U.S. Sales Soar

U.S. exports to Saudi Arabia will easily surpass the $1 billion mark in 1975, according to Frank A. Ocwieja of the Bureau of International Commerce. Figures for the first five months of this year are running 75 percent higher than last year, when exports reached $835 million. While food, oil field equipment and supplies and motor vehicles will continue to lead the list of U.S. products in demand, high growth will be experienced in several other fields, especially construction materials and equipment, industrial machinery and power generation and communications equipment. Although not reflected in the trade figures, the market for engineering and other consultant services is increasing tremendously, in step with the country's economic expansion.

Saudi Arabia's total imports nearly doubled in 1974 to an estimated $3.8 billion as its economy began to digest the revenue from the fourfold rise in the export price of petroleum. The high import content of oil sector and government spending programs promises to raise that figure above $5 billion this year. However, manpower shortages, inadequate physical distribution capacity, and the strained managerial capabilities and financial institutions of the country will quickly cap the rate of economic and import growth until these conditions are improved.

In spite of the tragic death of King Faisal, the Government of Saudia Arabia has continued its commitment to rapid development. Preliminary summaries of the new Five-Year Plan, to be published later this year, outline public expenditures on a grand scale for both industrial projects and badly needed development of human resources and economic infrastructure.

Broad spectrum of projects

The Plan, which totals $142 billion, calls for $13 billion in heavy industrial projects to be undertaken by the state agency, PETROMIN. These include the giant contract awarded to Flour Corporation by ARAMCO to construct gathering, treatment and transmission facilities for up to 6 billion cubic feet of natural gas released in association with oil production. The gas will be used solely for domestic consumption as feed stocks for petrochemicals and fertilizer, and as fuel for industry, power generation and desalination.

Two new industrial areas will be created. In Jubail on the Arabian Gulf, three ethylene-based petrochemical plants, two oil refineries, a direct reduction steel mill and an aluminum smelter will be

UAE

Strong Building Pace Leads Area Expansion

The United Arab Emirates (UAE), a federation of seven countries on the Gulf, will become a nearly $400 million export market for the United States in 1975, according to Frank A. Ocwieja of the Bureau of International Commerce.

Shipments of U.S. products, which amounted to $230 million in 1974, are experiencing an average 66 percent growth rate this year, and that pace is accelerating. Sales leaders are construction and mining machinery; iron and steel pipe; cars and trucks; heating and cooling, mechanical handling and electric power machinery; pumps and centrifuges; boats; and cigarettes. As the federal government and the individual Emirates progress in delineating the direction of their domestic development based on steady oil revenues, U.S. firms will find important new export and other commercial opportunities in this market.

Total oil exports from the UAE in 1974 increased 10 percent to over 600 million barrels, generating government revenues of nearly $4.3 billion. Combined government budgetary expenditures approached $2.1 billion, including over $1 billion in loans and grants to foreign governments and institutions. All these figures represent an increase of more than 100 percent over 1973. Total imports also doubled last year, reaching $1.6 billion.

With a total population of 350,000 the UAE constitutes a small market of relatively few wealthy consumers. However, due to its growing position as a major transportation and banking center for the Gulf area, and its important petroleum industry, demand for industrial supplies and machinery is high, accounting for 75 percent of total imports. The U.S. share of this lucrative market has been about 15 percent for the last two years. Despite the entrenched dominant position of British suppliers, more attention to the UAE, especially by American construction contractors, could improve export sales performance markedly.

Construction is the main area with growth potential for U.S. firms. The three oil-producing Emirates of Abu Dhabi, Dubai, and Shariah are undertaking the bulk of this activity.

The greatest number of projects will be built in Abu Dhabi. Among those supervised by its Public Works Department will be airport and port expansion, hundreds of miles of roads, and two large general hospitals. The Department of Water and Electricity will be undertaking a number of power and gas projects, and a $200 million steam power and desalination station. A special committee under the direction of Sheikh Sorour, Director of the Presidential Court, plans the construction of 3,000 housing units, a modular hotel and a $100 million sewer project.

The governments of Ras al-Khaimah, Sharjah and Dubai are all undertaking large port construction projects, and the latter is moving ahead with a $225 million dry dock and a $100 million development of tourist, residential and commercial facilities. Since government decisions in Dubai and Sharjah are made by their ruling Emirs with a small group of advisors, U.S. firms interested in their development projects, including several public housing schemes, should approach the rulers directly. The Federal Government Ministries of Public Works, Information and Water and Electricity, located in Abu Dhabi, are now starting to play a role in project planning and supervision, especially in union-wide communications, roads and power distribution.

Industrial development of the UAE is characterized by considerable state involvement. Cement plants are being built in four Emirates. The Abu Dhabi Department of Petroleum and Industry plans a flour mill, a steel rolling mill, and a fertilizer plant as well as a 15,000 barrel-per-day (bpd) oil refinery. The Abu Dhabi National Oil Co., which manages Abu Dhabi's 60 percent share of the major producing companies in the UAE, plans a 230,000 bpd export refinery for 1980. One of the major producing companies, Abu Dhabi Marine Areas, is building a $300 million LNG plant and is undertaking a $250 million project for water injection.

The Abu Dhabi Fund for Arab Economic Development, the principal development aid institution in the UAE, has approved loans amounting to $236 million since its creation in 1971, and $120 million in applications are now pending. With total capital resources of $500 million, the Fund provides financing for infrastructure projects in other Arab and African countries.

constructed. Nearby, three fertilizer plants will be built in Dammam. Connected to Jubail by a new pipeline, Yanbo, on the Red Sea, will be the site of another oil refinery and a petrochemical complex, as well as cement, car and tire factories. Another $14 billion is to be spent on desalination/power generation facilities.

Saudi Arabia intends to build up to 270,000 new homes during the five-year period and increase the number of schools from 3,335 to 5,318 and the number of hospital beds from 4,100 to 11,400. Other projects include 8,500 miles of surfaced roads, 2,000 miles of electric power transmission lines, port expansion, and a billion dollar telecommunications program.

Government revenues needed for the Plan, including provisions for $16 billion in foreign aid, can be generated by an oil production rate of 7 million barrels per day, not much higher than current levels. However, it assumes that considerable foreign skilled labor and managerial and technical personnel will enter the country. To this end, the government has eased visa regulations for employers and has cancelled the income tax on all non-Saudi employees. The Investment Guarantee Agreement between the United States and Saudi Arabia which entered into effect in April should encourage the needed input of technology through joint ventures between U.S. firms and the Saudi Government or private businessmen.

The U.S.-Saudi Arabia Joint Commission for Economic Cooperation has produced a Technical Cooperation Agreement which is being used to provide U.S. technical advisors, paid by the Saudi Government, to assist in solving special development problems. These include vocational training, higher education, agriculture, water resources and land use, science and technology and public works.

Two U.S. trade missions on railroad equipment and building materials and construction equipment made successful visits to Saudi Arabia during the first half of this year. Commerce is planning to hold a solo exhibition on the latter theme, called Buildex, in Jidda in February.

Iraq

Import Market Grows; U.S. Exports Climbing

U.S. sales to Iraq continue to expand dramatically. Recorded exports are likely to rise to $375 million this year, from $284 million in 1974; another $200 million in sales this year of wide-bodied aircraft will be recorded as delivery is effected in 1976 and 1977.

U.S. export growth prospects are good despite intense foreign competition, George T. Beck of the Bureau of International Commerce points out. With 11 million consumers, and oil revenues that are likely to increase further from the present level of $6-7 billion, Iraq's absorptive capacity is great. Iraq's determination to spend its income, and additional large sums now being sought as foreign loans, in a massive effort to develop quickly has led to imports already exceeding $4 billion annually. This pace may be slowed only by an inability to carry out more than 100 major projects simultaneously because of bottlenecks in administration, skilled labor, transportation and communications.

Current imports are being financed under a $3.6 billion interim budget for April-December 1975. Launching of Iraq's new five-year plan (1976-80) in January 1976 reportedly will entail even larger annual import expenditures. Agriculture will receive $10.2 billion out of a reported total of $33 billion to be spent on economic and social development during the Plan period.

Economic priorities

Present spending patterns and hints of the nature of the forthcoming Plan indicate that large projects will be undertaken in all economic and social sectors. In agriculture, more dams and barrages will be created to harness the Tigris and Euphrates Rivers for irrigation. Modern cattle breeding stations and poultry farms will be established and an ambitious program of rural electrification will be undertaken. In industry, priority will be given to creation of a petrochemical industry and large plants will be set up to produce sponge iron, steel and aluminum. Industries producing food, cement and other construction materials, sugar, pharmaceuticals, and fertilizers are to be expanded significantly.

There are major projects for rehabilitating river transport through extensive dredging, for railway re-equipment and extension of railway routes, and for new oil pipelines to Turkey and to the Arabian Gulf. Road construction will be heavy and large sums are to be spent for imports of trucks and buses and for establishment of auto and truck assembly plants. Large outlays will be made for health and welfare, for manpower development, and for new hospitals, schools and rural and urban housing construction.

Development of a broader based U.S. participation in Iraq's import program is impeded by the large number of major contracts awarded to industrial companies of France, Italy, Spain, Yugoslavia, the USSR and other Eastern European countries under special bilateral arrangements. Fields in which U.S. companies may now have good sales prospects in Iraq were outlined by the Commercial Attaché of the U.S. interests section, Baghdad, in *Commerce Today*, June 23.

Lebanon

Sales To Gain Slightly Despite Civil Strife

Although there is still much uncertainty concerning the economic impact of the recent civil strife in Lebanon, which led to a complete cessation of commerce and industry for some ten days during the period April-early July, it appears that U.S. exports to Lebanon are likely to reach $300 million this year compared to $287 million in 1974.

At the end of May, U.S. exports were running at an annual rate of $317 million and they might well have attained $350 million this year, except for the economic dislocation, continues George T. Beck of the Bureau of International Commerce.

If the political arrangements concluded in early July enable the government to reestablish firm control over the economy, much of the economic loss can be made up and there will be little permanent damage to Beirut's important role as regional office for foreign firms, tourist center for Western and Arab visitors, vital trade entrepot, and growing financial center for tapping surplus Arab wealth.

The setback to Lebanon's large tourist industry is expected to be on the order of 20 percent, with a heavy loss in Western tourists and a much lesser drop-off in Arab tourists. This will reduce demand for U.S. consumer products.

The civil strife accentuated congestion in Beirut Port and at one point almost 150 ships awaited unloading. Although this situation is improving somewhat, the chronic delay in the port is now contributing to a general search by overseas shippers for trucking, air or maritime alternatives, including the Suez Canal, for merchandise that would ordinarily be routed through Beirut of its well-developed entrepot trade services.

Lebanon's light manufacturing industries have been experiencing a 30 percent annual increase in value of exports to Middle Eastern markets and this flourishing trade contributes heavily to Lebanese demand for U.S. industrial raw materials, machinery and spare parts.

There is some concern that the recent 15 percent general wage boost in the private sector may decrease Lebanon's manufacturing advantage and that future investors in this field may tend to hold off until economic stability is assured.

Within the anticipated decline in the general level of business activity, the competitive outlook for sales of most U.S. products is good, as the Lebanese pound continues strong in relation to the dollar, making purchases from the United States very attractive. However, the market for U.S. luxury automobiles and refrigerators will be penalized by recently-enacted tariff increases on these categories.

Prospects for a rapid resumption of Beirut's important commercial and industrial role in the prosperous Mideast improved in mid-July. The newly-installed government appears to have taken effective steps to restore order and to reassure the business community. The government also received a vote of confidence for a strong economic program of improving Beirut's commercial and tourist facilities and of undertaking heavier spending for expansion of infrastructure facilities.

Morocco

U.S. Goods, Services Continue In Demand

American sales to Morocco will increase in 1975, despite historical dominance by European suppliers. This prediction by Claude Clement of the Bureau of International Commerce is based on two prime factors—an expanding market for capital equipment and a strong demand for wheat.

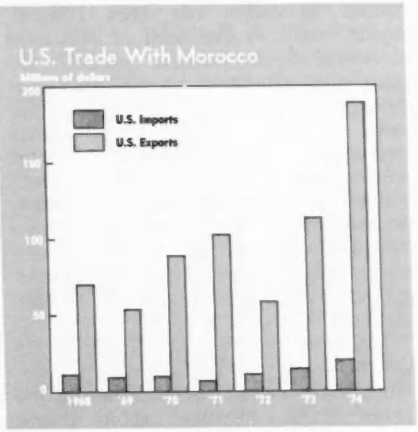
Though 1975 may not be as bright a year for Morocco as last, when a five-fold increase in phosphate prices produced a big jump in government revenues, GNP, which reached $5.7 billion at current prices in 1974, will grow by a healthy 12 percent and per capita income will rise 15 percent. This year the Moroccan economy has been hit by a poor domestic harvest, continued unemployment, inflation running at an annual rate of 10 percent, and, most seriously, weakening world markets for phosphate rock, which alone accounted for 45 percent in value of Moroccan exports in 1974. Despite these trends, the outlook for American sales this year is bright.

Specific targeted investments in Morocco's 1973-77 Development Plan may be increased a hefty 50 percent this year, offering attractive sales opportunities to American businessmen who show the interest and incentive needed for doing business in Morocco. Proposed by King Hassan in June, this increase in investment spending would be used for accelerating development in agriculture, industry, minerals exploration and regional development. The Moroccan Government is now intensively seeking additional outside financing to enable it to meet new development priorities and objectives.

U.S. sales to Morocco are projected to reach $220 million this year, a 20 percent rise over 1974. As shown by first quarter trade figures for 1975, the United States will doubtless remain Morocco's leading source for wheat as well as an important supplier of vegetable oils, construction materials, vehicles, aircraft and a wide variety of other capital equipment.

American exporters can benefit from international tenders issued by the Moroccan Government in 1975. In agriculture, these include machinery for food processing and packaging, associated irrigation works, design and construction of dams, and engineering/consulting work on a number of related agrarian projects; in the transportation area recent tenders include port and highway construction and development, as well as airport communications equipment. In addition, tenders issued this year relating to the Moroccan Government's railway expansion plan already total over $100 million.

Product lines, in addition to those cited above, worthy of attention by U.S. suppliers include textile machinery and mining, communications, electronics and materials handling equipment. Development of agricultural, irrigation and groundwater projects is currently being aided in Morocco by loans from the World Bank. Aid from the United Arab Emirates is being used to finance the construction of a major oil refinery and two plants for processing phosphates.



Tunisia

Commission Can Help Outlook For U.S. Trade

Excellent harvests, strong performance by export industries and rapidly expanding state and private investments assure a growing Tunisian market for U.S. goods and services in years ahead, according to Laron Jensen of the Bureau of International Commerce.

Tunisia's economy is diversified and strong. Gross domestic product, $3.1 billion in 1974, had a real 11 percent growth last year, with industry (manufacturing, mining, energy) leading the way. Good fortune as well as sound government economic policies emphasizing private sector initiative contribute to this performance. Tunisia has had excellent harvests the past four years and expects to be self-sufficient in cereals in 1975. Skyrocketing prices for major exports in 1974—petroleum, phosphate rock and olive oil—together with earnings from tourism and remittances by Tunisians in Europe, yielded foreign exchange for record imports and investments.

Imports increased 70 percent in 1974 to $1.1 billion and exports reached $935 million. Raw and semi-processed goods such as petroleum, lumber, textile fiber and cement provided half of total imports; foodstuffs, mainly cereals, equalled 18 percent. Import growth is expected to slow this year to perhaps 15 percent.

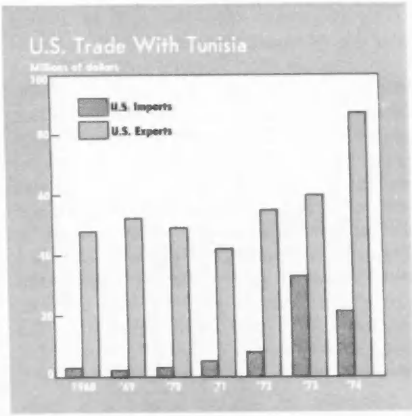
U.S. trade with Tunisia, still relatively modest, is increasing substantially although the U.S. market share, 9.5 percent in 1974, has declined from years past due to vigorous European competition. U.S. exports totaled $87 million in 1974 and may reach $100 million this year, about equally divided between cereals and manufactures such as tractors and construction/mining and petroleum equipment. To the United States, Tunisia sells mainly petroleum, essential oil and olive oil, and hopes to achieve an increase in sales of the latter.

Investment developments

Foreign investment is welcomed by the Tunisian Government, which has issued attractive investment laws and, through its Investment Promotion Agency (API), promises to ease the red tape burden on investors in desired areas, particularly labor-intensive, export-oriented manufacturing plants. API expects to approve $470 million in new private investments this year, four times 1974 investments. Tunisia's Plan Minister toured the United States early this year and the Overseas Private Investment Corporation sponsored a mission to Tunisia to investigate Tunisian opportunities.

Tunisian economic trumps which offer development opportunities to U.S. firms include petroleum (80,000 barrels/day production is expected to double by 1976); phosphate rock (3.5 million tons production, which may earn $200 million this year); and natural gas. Fifty billion cubic meters of gas has been found offshore in the Gulf of Gabes, enough for Tunisian needs through 1995.

To cement already close U.S./Tunisian relations, a Joint Commission was formed in May. Charles W. Hostler, Commerce's Deputy Assistant Secretary for International Commerce, co-chairs a key Subcommission on Trade and Investment which is charged with exploring ways to increase bilateral commercial ties.



Gradual Recovery Forecast For Far East-South Asia

Inflation-Control Measures Are Showing Results

Inflation, rising unemployment, balance of payments difficulties and a general slackening in economic activity in the leading industrial nations of the West have continued to exert a profound and adverse influence on the economies in the countries of the Far East and South Asia region. Nevertheless, inflation-control measures taken to avoid deterioration of the economic situation and correct distortions caused by the recession are showing results, and gradual recovery is expected to get under way in the latter part of 1975, according to Ann P. Brosnan of the Bureau of International Commerce.

In most of the region the recession began to bottom out in the first quarter of 1975, and the economies began to turn up, but the stagnation continued through the second quarter. Growing energy costs and other economic problems still plague the region, but current available data indicate overall U.S. exports will hold at $22 billion, slightly less than in 1974.

Sales opportunities will expand

The dollar value of imports and exports of industrial areas has increased, but in real terms the imports have failed to rise and exports have declined. Due primarily to oil price increases, the value of exports of the developing countries has grown more rapidly than in the industrial countries. The expected recovery in the last two quarters will mean a revival of consumer spending as real income picks up, providing opportunities for increased U.S. sales. It is anticipated that if there are no new inflationary pressures the region will experience moderate growth by 1976.

Japan. In the period April 1974 to March 1975, America's major overseas market experienced the first contraction of its economy since the end of World War II. Nevertheless, due to its remarkable adaptability, Japan's economy was able to overcome the difficulties in a relatively short time, establishing a new price structure and recovering the equilibrium in the balance of payments. The recession has depressed its imports, including those from the United States, and the situation is likely to continue for some months. It is anticipated that U.S. exports to Japan in 1975 could gain sufficient momentum during the second half of the year to overcome the poor performance of the first quarter, but it is doubtful that U.S. sales will match last year's $10.7 billion.

Australia, the second largest U.S. market in the Far East, is unlikely to sustain its recent remarkably high levels of imports due to the leveling off of domestic demand and the 12 percent devaluation, which will stimulate exports and raise the price of imports. Now that the anticipated devalution has been effected, capital inflow in the form of long-term borrowing should increase, although the amount is difficult to predict. This year should see a slackening of economic activity compared to last. Only a modest increase in non-farm domestic products is anticipated, despite the expanded government spending proposed in the budget. Because of the importance of foreign trade to Australia's economy, world economic events beyond Australia's control will have a significant impact on its economic performance in 1975.

Short-term prospects for U.S. sales are uncertain. As Australia's domestic inflation rate continues to outpace that of the United States, American goods should retain or improve their competitive position with local products. American exporters will find their products somewhat less price competitive with local items due to the devaluation, but third-country products will — initially at least — be equally disadvantaged.

Taiwan and **Korea** represent billion-dollar markets and are leaders among the emerging markets. The Republic of China is one of the few nations in the world whose economies are still strong despite global stagnation. In spite of the lack of oil resources of its own, Taiwan has many advantages which contribute to offsetting the impact of the recession. Taiwan's agricultural development has paralleled its industrialization. Food sufficiency is an important factor in stabilizing its economy. The United States remains Taiwan's largest trading partner. For the first time in more than 10 years U.S. sales have surpassed those of Japan. The U.S. Trade Center in Taipei, established in 1974, has contributed to increasing the U.S. share of the Taiwan market.

Korea's economy experienced the most severe inflation in the last decade. The deepening recession in its two major trading partners, the United States and Japan, reduced growth of output by dampening export demand and private fixed investment. Prospects for recovery in 1975 hinge largely on the timing and strength of the economic recovery in the United States and Japan. Korea hopes to export $1.7 billion of goods—or 28 percent of its total export target—to the United States in 1975. In 1974, the United States took 33 percent of Korea's exports. Exports to Japan, Europe and Canada have increased during the last few years. Concentrating on increasing exports to areas other than the United States and Japan, Korea, in the first quarter of 1975, has directed 44 percent of its exports to European and other countries, as opposed to the traditional 30 percent of previous years. Korean officials have indicated that exports to the United States will increase in the third quarter of this year. As in Taiwan, sales promotion will be assisted by activities undertaken by the U.S. Trade Center in Seoul.

Singapore today enjoys greater stability and brighter prospects than at anytime during the past decade. U.S. exports to Singapore for 1975 are projected to exceed $1 billion, a substantial increase over the previous year.

Singapore has developed into Southeast Asia's major petroleum refining and distribution area. Its refining capacity is expected to reach more than one million barrels per day in 1975. It is also becoming the service center for Southeast Asia as well as a high-technology manufacturing site.

Hong Kong, one of the better markets for U.S. products, was hit hard by the world recession in the last quarter of 1974, but the economy is improving in 1975 due to efforts by the Hong Kong Government to tighten financing. Forecast for this year is a slight decline in economic activity while Hong Kong waits for an upturn in the world economy.

Indonesia. American export sales to Indonesia are expected to be at least 50 percent higher in value in 1975 than in 1974, reaching $800 million. Increased exports will result from the considerably higher level of U.S. Export-Import Bank lending; continuing U.S. investment, primarily in oil; and stepped-up procurement for major projects. Indonesia boasts one of the most impressive lists of pending major projects of any developing

country in the world. U.S. firms, because of their technical expertise and experience in large mining, petrochemical and similar projects, will have an advantage in bidding on these projects.

Philippines. The United States continues to be the leading supplier of goods to the Philippines. Despite the burden of recession, overall economic performance is satisfactory. Projected U.S. sales in 1975 may total $800 million, an increase of 7 percent over 1974. The Philippines' export picture also may brighten in view of an economic breakthrough in oil drilling and tourism.

Thailand. A forecast of 14 percent growth in value of U.S. exports in 1975 reflects a sharp drop from the 44 percent rate during the previous year.

The U.S. Government has had a very substantial economic and military assistance program in Thailand for more than a decade. In part, because of this stimulation, Thailand's annual rate of growth has been one of the fastest in Asia. The forthcoming withdrawal of U.S. military forces will, of course, adversely affect the country's GNP. Prospects for export sales are considered good, but increases above the current level are uncertain because of the current economic and political situation in the Far East.

India, Pakistan and **New Zealand** are expected to account jointly for $1.6 billion in U.S. exports.

Exports to India in 1975 are expected to remain at the same $760 million level of the previous year. Economic conditions during 1975 are comparable to last year in terms of food production, weather conditions and availability of foreign exchange. India, like other nations of South and Southeast Asia, must limit its major purchases to availability of loans from the International Bank, the Asian Development Bank and similar institutions; but U.S. manufacturers and contractors should take advantage of these opportunities rather than default to competing nations.

As in the past, agricultural commodities will continue to lead U.S. exports to Pakistan, but heavy demand is anticipated in the areas of hydroelectric power generation, ports and shipbuilding, construction equipment and other industries designed to increase Pakistan's self-reliance. The United States continues to be Pakistan's main supplier.

The remainder of the countries in the region are of economic importance but account for a more modest portion of total U.S. trade and investment. Projected purchases of U.S. products during 1975 by these other countries, with the exception of Indo-China (because of the Communist takeovers in April and May) could add another $1.2 billion to increase the total for the Far East, South Asia region to an estimated $22.4 billion for the year.

Japan

Growth Pace Unsure; Imports From U.S. Slow

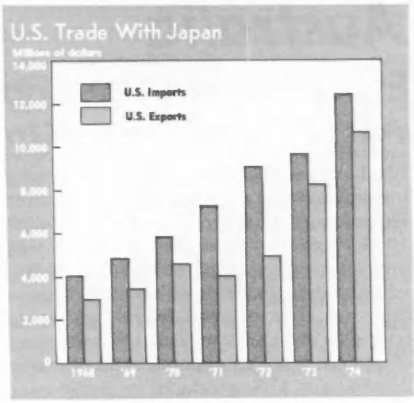
U.S. exports to Japan, which benefited earlier from strong Japanese demand, favorable effects of exchange realignments, rising affluence of the Japanese, and growing shortages of industrial and consumer products, now face a stagnant economy struggling to recover from a stubborn recession. Our exports in 1975, therefore, could fall below last year's $10.7 billion, reports T. A. Miyakawa of the Bureau of International Commerce.

The timing and speed of Japan's recovery are unclear, but current policies have not revived the economy. Final demand remains weak and investment in plant and equipment may fall behind the Ministry of International Trade and Industry's (MITI) estimate of $95 billion without the administration's "appropriate and timely" assistance to industry. Japan's industrial leaders appear to lack enthusiasm for capital expenditures because of the prolonged recession. Prospects, however, are for a gradual recovery beginning after mid-year, avoiding new inflationary pressures and bottlenecks and leading to a moderate amount of growth by 1976 or 1977.

Business confidence under these mixed conditions lacks direction and the usually free-spending Japanese industrialists momentarily are worried. Earlier disunity continues regarding recovery programs. Inflation while moderating, monetary and fiscal restrictions while easing, bankruptcies which continue, and increasing noncompetitiveness in world markets, still plague Japanese businessmen.

Nominal gross national product in fiscal 1974 (ended March 1975) is estimated at $468 billion, indicating a 17.9 percent increase over fiscal 1973; but, the $299 billion in real GNP decreased by 0.6 percent—Japan's first postwar real growth reversal. Estimates for fiscal 1975 center around 2 percent real growth, considerably below MITI's earlier prediction of 4.3 percent. However, some prominent economists believe that real growth will be less than 1 percent without massive government stimulation measures. The two major targets of reducing inflation to 14 percent by March 1975 and limiting the average wage increases to a weighted average of the same figure, however, were met on schedule.

Although recession has depressed Japanese imports, including those from the United States, U.S. agricultural raw materials on which the Japanese economy depends should remain strong despite a desire by Japan to diversify suppliers of critical materials.



Japan's January-May imports (c.i.f.) totaled $24.5 billion, with the United States accounting for $5.1 billion, compared with $25.1 billion and $5.2 billion, respectively, for the same period last year. Imports from the United States in 1974 represented a market share of 20.5 percent. This share may drop since Japan's import cost of petroleum already (end of May) exceeds that for the same period of 1974 by $1 billion to total $8.2 billion. A further price increase is possible in September.

Best sales prospects include such varied items as pollution control equipment, sporting and leisure time equipment, analytical instrumentation, and data communications equipment. Opportunities also exist for power-generating equipment, process control instruments, numerical control machine tools and building systems materials and hardware. Sales of consumer goods also should improve as the Japanese economy revives and personal consumption expenditures again advance. Despite the recession, successful consumer goods shows were held in the U.S. Trade Center in Tokyo and in Japanese department stores, with some stores desiring additional promotions coinciding with U.S. Bicentennial festivities.

Some tariff concessions may be forthcoming during the current General Agreement on Tariffs and Trade meetings now in progress in Geneva. While reductions are helpful to U.S. exports, our sales to Japan are now more affected by the health of the Japanese economy.

After five years of surpluses, Japan's overall balance of payments turned sharply into a $10 billion deficit in 1973 and $6.8 billion in 1974. The January-May 1975 shortfall of $1.6 billion represents a significant improvement over the deficit of $5.6 billion for the same period of 1974. Despite this improvement, the Japanese Government has yet to introduce any major stimulus to the economy, preferring instead continued caution and patience. They have elected to wait for the normal recovery process of revived consumer confidence and completion of excess inventory adjustment.

Australia

Export Potential Good As Economy Starts Up

Most major economic indicators point toward revival of the Australian economy. However, marked recovery from the mid-1974 recession may not get under way until late this year or early 1976. Meanwhile, although 1975 will probably see a drop in U.S. exports from the record level of 1974, Nancy Keely of the Bureau of International Commerce expects strong demand for U.S. products to continue.

To shore up business confidence and combat the country's problems of unemployment, lowered production, and inflation (17.6 percent annually as of the March quarter, with levels of 20-40 percent predicted for 1976), the government has adopted various measures. These include increased spending, tax reductions, liberalization of restrictions on domestic credit and the inflow of foreign funds, devaluation, and new import restrictions. Recent developments, such as a slower rise in unemployment, a revival of consumer demand, and an improving market for residential construction, may be harbingers of a longer-term recovery.

For the June quarter, Australian businessmen are forecasting, for the first time in over a year, improved profits. Although the 1974 devaluation and recent import restrictions dampened the country's imports, the developments noted above and increasing Australian industrialization should help support a strong demand for U.S. products.

The 1974 gross domestic product amounted to $78.9 billion in current prices, 1.6 percent over 1973.

Because of the 1974 economic downturn and record-level imports, the Australian Government recently imposed restraints on selected imports which are causing unemployment in certain domestic industries. Rates of duty have been increased or quotas introduced on a considerable number of commodities. The extent to which U.S. exports have been affected is undetermined; however, reports indicate that, initially, only a somewhat moderate impact may have been made on U.S. exports, other than textiles. Goods affected by restrictions and which are of particular interest to the United States include textile products, electric refrigerators, clothes dryers and washing machines, precision ground steel ball bearings, injection moulding machines, and motor vehicle tires. The U.S. Government has expressed concern to the Australians regarding the restrictive actions and has also supported moves within the context of GATT, OECD, and Multilateral Fibers Agreement to examine the Australian action. Australian officials aver that the restrictive measures are temporary and designed to alleviate specific problems.

The balance of payments recorded a deficit of $585 million for 1974 (compared with a surplus of $25 million for 1973). However, a turnabout in Australian external trade has occurred, with export surpluses reported since November. Reserves have remained well above $4 billion since the devaluation. With declining imports and continued capital inflow, foreign exchange holdings should increase substantially in fiscal 1976.

The United States, Australia's leading supplier, had a market share of about 21 percent in 1974 (22.4 percent for 1973). The 1975 share may equal or perhaps slightly exceed 1974's. Traditional U.S. exports to Australia include industrial high-technology machinery and equipment, aircraft and other transport equipment, chemicals, and professional and scientific equipment. U.S. exports of capital goods and transport equipment may be somewhat affected by the Australian devaluation and general shrinkage of the country's imports. Further growth in these two categories of goods may have to await the economy's stronger resurgence and, therefore, be postponed until after 1975. Additionally, some of the increase in U.S. exports during FY74 was in consumer goods, an area particularly affected by the new import restrictions. Some of this loss may be offset, however, by the sale of components to manufacturers.

For the long run, Australia promises an expanding market for competitive U.S. producers of capital goods and sophisticated consumer goods. These prospects justify vigorous efforts by U.S. exporters, who should ensure that they have strong representation throughout Australia. That the Australian market is worth cultivating is substantiated by the fact that U.S. exports exceeded $2.1 billion in 1974.

Future shows scheduled for the U.S. Trade Center in Sydney include: printing and graphic arts, medical equipment, electronic components, packaging and printing, metalworking equipment and fashion fabrics.

India

Revival Of Growth, High Imports Forecast

A continued high level of annual imports—in the $6 billion range—is forecast for India through 1976, according to Monroe E. Aderhold of the Bureau of International Commerce.

Despite its foreign exchange problems, India remains the major trading partner for the United States in South Asia. During 1974 U.S. exports, mostly on commercial terms, reached $760 million (f.a.s. basis).

The Indian economy is closely linked to weather conditions and the subsequent level of agricultural production.

Crop forecasts for 1975 are moderately favorable. Essential commodities such as foodgrains, petroleum, fertilizers and agricultural inputs will represent 50 to 60 percent of total imports during 1975 and 1976. Other high priority imports will be raw materials, operating supplies, specialized machinery and instrumentation required to improve industrial productivity and quality control.

Changing priorities

The Indian Government's current economic policies place top priority on its export expansion program in order to stimulate production in the modern industrial sector and offset a chronic balance of payments deficit. Emphasis is being placed on exports rather than import substitution. Preferential consideration in the allocation of import licenses and foreign exchange is given to firms which require machinery and raw materials for export production.

An estimated trade deficit of $2 billion during 1975 will be offset by financial assistance from the consortium of countries providing aid, commitments from the IBRD and IDA, deferred payments for petroleum imports, bilateral commitments from Eastern European countries, and a rising level of exports. India's current level of foreign exchange is estimated at $1.4 billion.

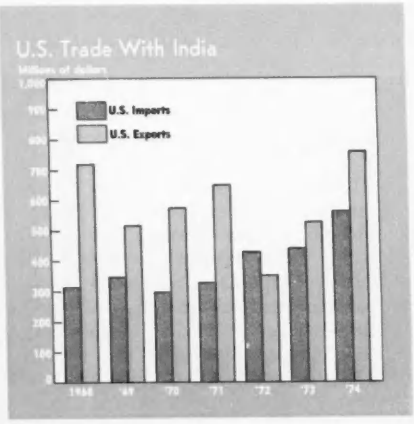
Aside from foodgrains, fertilizer and other agriculture-related products, the most promising product categories for U.S. exports are machinery and equipment required for mining, ore processing and concentration; earthmoving; petroleum exploration and processing; specialized machine tools; telecommunications; production and assembly of electronic components; rail and road transportation; leather processing; and process and quality control instrumentation.

Government-controlled corporations are assuming an increasing role in both import and export trade with India. The State

Trading Corporation (STC) will procure a wide range of commodities such as chemicals, newsprint, oils and fats, drugs, pesticides and stainless steel valued at roughly $331 million during 1975. U.S. suppliers interested in trade with India should register with STC's office at One World Trade Center, New York, N.Y. 10048.

Economic growth came to a virtual halt during 1974 due to widespread crop failures, rising petroleum costs, power shortages and a government-imposed credit squeeze to check spiraling inflation, which reached a 30 percent annual rate. Stringent monetary and fiscal policies have been largely successful and inflation has dropped to a manageable 7 to 9 percent. While problems abound in India, recently compiled economic indicators give reason for expectations of mild recovery. Overall industrial production has picked up and 10 percent growth is projected for 1975; annual coal production has reached an all-time high of 88 million tons; and exports are expected to reach $4.1 billion in 1975 and continue upward at an 8 percent growth rate. GNP at current market prices is estimated at $91.2 billion for the latest Indian fiscal year (April 1974 to March 1975).

India's policies concerning foreign equity investments, royalties and licensing agreements are increasingly selective and restrictive. All joint ventures are subject to regulations and guidelines which appear onerous. However, authorities are flexible in applying these regulations if the project involves a level of technology that is currently unavailable in India and required to achieve economic goals. Foreign equity participation is normally limited to 40 percent but higher limits are permitted, up to 100 percent, if the investment is considered essential or predominantly export-oriented. U.S. businessmen may wish to discuss their proposals initially with the Indian Investment Center, 708 Third Ave., New York, N.Y. 10017, which can provide an indication if a particular proposal would be approved by the Secretariat for Industrial Approvals.



Taiwan

Trade Prospects Keyed To Economic Recovery

Given sustained recovery in the latter half of 1975 from the worldwide economic recession, Taiwan's trade should continue to grow this year, albeit at a slower rate than in recent years. U.S. exports to the Republic of China are expected by Margaret A. Kelleher of the Bureau of International Commerce to increase at a faster rate than Taiwan's total trade, but also more slowly than last year.

Down 9 percent in the first five months of 1975 from the same period last year, U.S. sales to the Republic of China should exceed 1974 levels by 10 to 11 percent by year's end. This rate of growth is nowhere near as rapid as in 1973, nor even as fast as in recession-plagued 1974. Taiwan's economic recovery has been slower than anticipated, as the world recession extended well into 1975. The island's growth, production and trade are directly affected by conditions and changes in the world economy and particularly in Taiwan's major markets, the United States and Japan.

Exports contribute more than 50 percent of the GNP in the Republic of China. Gradually improving export performance in mid-year, as the recession subsides around the world, has resulted in improved capacity utilization in Taiwan's major industries, higher production levels, and increased import orders. Imports of raw materials and capital equipment, which the United States is in a position to supply, will continue to grow in the second half of 1975, but at a slowed rate.

The upturn in both manufacturing and construction in the second quarter is expected to continue throughout the year. Some industries show considerable growth to date. The index of industrial production in July should overtake the peak level registered in March of last year. Growth in GNP, which was negligible in 1974, should be about 2.7 percent in 1975 and approach 6 percent by July 1976, as the Taiwan economy recovers from the impact of global recession.

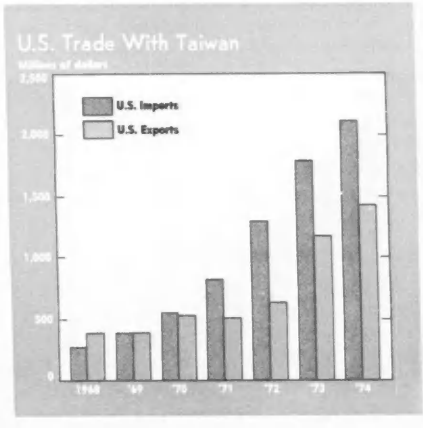
With Taiwan's major trading partners suffering from stagflation, measures were taken by the government last year to stabilize the economy, improve trade performance and encourage continued foreign investment. A high level of international reserves and a relatively low level of external debt have been maintained. Inflation was brought under control and prices have remained fairly stable. Foreign investment remains below recent annual levels, but given Taiwan's favorable investment climate, substantial improvement should follow recovery in the Taiwan economy and those of its major investors.

Government efforts to reduce the sizable 1974 trade deficit with Japan should further strengthen the American export position this year. Reaffirmation of Taiwan's "buy American" policy should enable the United States to maintain the larger market share obtained in the first quarter and maintained through the first five months. Imports from the United States have surpassed those from Japan for the first time since 1963.

Imports from the United States should exceed $1.5 billion this year. To compete successfully, however, for growing sales to Taiwan in the latter part of 1975 and into 1976, U.S. suppliers must be price conscious and offer competitive financing. They should also comply with specifications, meet requested delivery dates and provide technical training and after-sales service.

Goods with the best sales potential include agricultural products, telecommunications equipment and electrical goods, chemical raw materials and semi-sophisticated machine tools. The major projects offer opportunities for sales of building and construction machinery, and transportation and materials handling equipment. Sustained recovery in the textile, electronics, plywood, plastics and food processing industries will bring increased sales opportunities. Because of the recession, many firms in these industries had postponed expansion plans and purchases or replacement of capital equipment.

The U.S. Department of Commerce opened a Trade Center in Taipei in 1974. Designed to provide a wide range of services to the U.S. businessman interested in marketing his product in Taiwan, the Trade Center offers an ongoing program of trade promotion events which includes exhibitions, technical seminars, catalog shows, trade missions, and facilities for between-show promotions by individual firms. Upcoming events will feature hotel and restaurant equipment, process control instrumentation, woodworking machinery, building and construction equipment and materials, and electronic production and test equipment.



Hong Kong

U.S. Exports Increase As Upturn Approaches

U.S exports to Hong Kong, which had been excellent in 1973, continued to improve in 1974. In U.S. dollar terms, the gain in 1973 over 1972 was 56 percent for a total of $720 million, while the corresponding figures for 1974 were 27 percent and $917 million. The United States accounted for nearly 15 percent of total Hong Kong imports. If the U.S. economy shows recovery in the second half of 1975, Hong Kong will not be far behind. U.S. suppliers should be prepared to take advantage of the upsurge, advises Harry Stringer of the Bureau of International Commerce.

After a decade of rapid expansion, Hong Kong's economy slumped in 1974. Per capita GDP rose to almost $1,600 in current dollars but actually declined in terms of 1966 dollars.

After showing signs in 1974 of losing its competitive edge, Hong Kong now appears to be ready for action. The rate of inflation has slackened; prices in January and February this year were only 3 percent above the same months of 1974. Hong Kong imports of capital goods increased by over 20 percent in value in 1974, laying the groundwork for future expansion.

Hong Kong is a good market for U.S. raw materials, food and machinery. With the exception of diamonds, all traditional U.S. exports to Hong Kong showed healthy increases in 1974. Electronic components and computer parts continued to comprise the largest share (17 percent) of U.S. exports.

Plastic raw materials sales, which soared by 59 percent in 1974, are expected to remain high in 1975. Sales of air-conditioners and equipment continue to do well. The first six months of 1975 show an upturn in both textile and electronics orders.

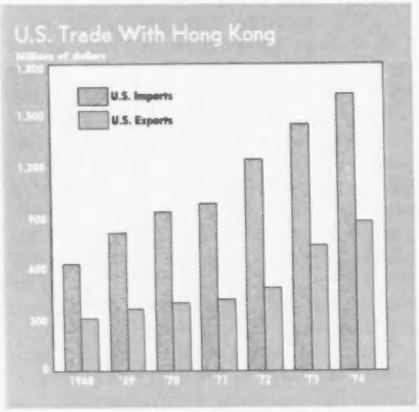
Engineering and design services should not be overlooked, as planning for future public works projects is proceeding at a fast pace.

Other items presenting good sales potential are scientific, photographic, and optical goods, paper, office equipment, industrial security equipment, retail store equipment, consumer goods, textile fabrics and made-ups.

More welcome than ever

In an effort to move out of its traditional, labor-intensive product lines into medium and high technology items, the Hong Kong Government is looking for investments that will spin off productive and managerial know-how. The government is welcoming industrial investment by making land available at attractive prices both through private treaty sales and the establishment of industrial parks. While the majority of the 540 U.S. firms operating in Hong Kong are regional sales and/or administrative headquarters, over 150 are engaged in manufacturing and represent more than 40 percent of foreign industrial investment in Hong Kong.

Trade promotion activities for the remainder of 1975 will include the large American Fortnight exhibition in October and a process controls technical seminar in November.



Indonesia

U.S. Trade Accelerates With Growth Upswing

The accelerated growth in U.S. exports to Indonesia in the first half of 1975 is expected by M. Virginia Webbert of the Bureau of International Commerce to continue throughout the year, bringing total shipments to at least $800 million. This would be 50 percent above the $530 million export level in 1974 and would represent real gains over the 20 percent increase in export value in 1974. While higher prices continue to account for a substantial share of the dollar increase, considerably larger Export-Import Bank loans, U.S. investment (primarily in oil), stepped-up procurement for major projects in Indonesia valued at $15 billion to $20 billion, and continuing high levels of foreign aid have improved considerably U.S. sales opportunities.

At the May meeting of the Inter-Governmental Group for Indonesia (IGGI), donor countries pledged $400 million in bilateral aid for FY75/76 (Indonesia fiscal year ending March 31) and international organizations $500 million in semi-concessional loans. An additional $1.1 billion is being sought outside the IGGI framework. While the U.S. aid program will be about $60 million, Export-Import Bank loans will provide substantial additional funding.

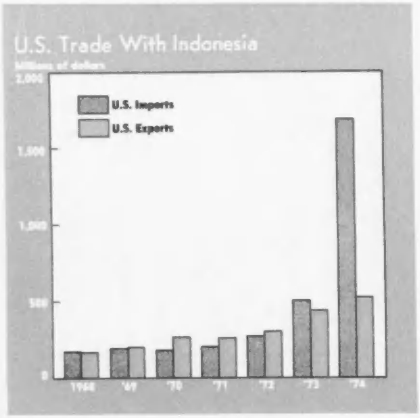
The Indonesian economy is expanding satisfactorily with a GNP growth in real terms of about 8 percent expected for 1975. However, the anticipated gain in foreign exchange reserves in FY74/75 did not materialize and reserves of $921 million on March 31 were $9 million lower than on March 31, 1974. Despite a tripling in value of gross oil exports, inflows of $575 million (net) from direct investment and nearly as much in foreign aid, the large debt service payments of the state oil company, Pertamina, which encountered servicing problems in early 1975, were mainly responsible for the disappointing balance of payments performance. The rising cost of imported goods and Japan's reduced demand for Indonesian oil were also factors. Steps to alleviate Pertamina's problems have been taken and foreign exchange reserves are expected to increase in FY75/76.

In calendar year 1974, Indonesia's imports were valued at $3.9 billion and exports at $7.4 billion. The U.S. share of the import market was 16 percent in 1974—down slightly from 1973; Japan's was 29 percent.

The U.S. trade deficit with Indonesia deepened in 1974 as U.S. imports rose to $1,688 million (oil and oil products were $1,273 million) and exports totalled $530 million. Major exports (in millions of U.S. dollars) were: machinery, $189; transport equipment, $47; chemicals, mainly fertilizers, $94; and raw cotton, $60.

The competitiveness of U.S. products is increasing, particularly vis-a-vis Japan, in power generation, process control, marine, mechanical handling, automotive parts, and building products exports. A major Commerce exhibition for energy and fluid transfer systems is planned for Jakarta in April 1976.

Indonesia continues to welcome foreign investment but is tightening investment rules, especially by requiring 51 percent Indonesian ownership within ten years for investments outside the extractive sectors.



Korea

Recovery Is In Sight; Opportunities Varied

The Republic of Korea offers a number of excellent opportunities for U.S. exporters in 1975, as the Korean economy shows signs of recovery. Although real GNP figures reflect a decade of sustained growth of over 10 percent per annum, the 1974 figure dipped to 8 percent. Much of last year's growth was due to the momentum of the 1973 boom (16.9 percent GNP growth) which spilled over into the first half of 1974. Robert McLaughlin of the Bureau of International Commerce anticipates that Korea's annual growth rate will run a healthy 7 percent, with the concurrent turnaround from recession to recovery in the industrialized countries.

Recent production figures indicate a strong response to the government's anti-recession policies. Particularly encouraging industries include steel, shipbuilding, fertilizers, and radio and television production. The textile industry, rebounding after the slump in 1974, is running at 80-85 percent capacity, with several sectors operating at full capacity.

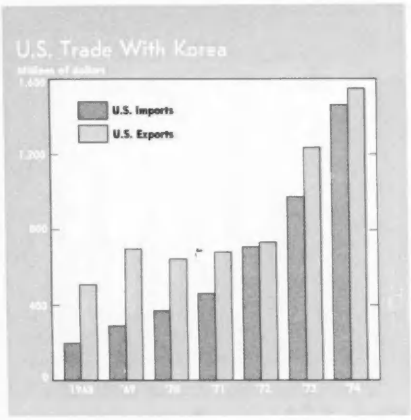
In 1974 Korea was doubly stunned by higher prices for the fuel, food, and raw materials it must import and the international recession which hit its overseas markets. The tandem effects of inflation and recession showed in the balance of payments. The Korean deficit ballooned from $309 million in 1973 to $1.8 billion last year. Projections for 1975 run slightly under the $2 billion mark.

Korea's imports in 1974 were valued at $6.8 billion, up 61 percent from 1973. While the U.S. market share dropped from 28 to 25 percent, the value of U.S. exports grew to $1.5 billion, ranking Korea 13th among importers of U.S. goods. U.S. sales to Korea for 1975 are expected to reach $1.7 billion, as Korea's total imports grow by 10 percent. The U.S. share should improve as well, as recent declines in the value of the dollar and attractive interest rates in the United States will make American goods more competitive. Extended Export-Import Bank financing will also enhance sales. In addition, advance import deposit requirements recently have been lowered.

Excellent prospects exist for U.S. suppliers of capital goods, services and raw materials as Korea presses on with major development projects, such as the Heavy and Chemical Industry Plan and the Changwon Industrial Complex. Products identified as having the best incremental sales potential in coming years are metalworking and metal finishing equipment and machinery; textile machinery; laboratory instrumentation; construction and mining machinery; computers and related equipment; business equipment and systems; and process control instrumentation.

Major imports from the United States in 1974 were foodgrains, electrical products, raw cotton, ores and metal scrap, non-electrical machinery and transportation equipment. These goods accounted for 75 percent of all U.S. exports to Korea.

An important tool for the promotion of American exports is the U.S. Trade Center in Seoul. U.S. firms wishing to display their products should contact the Commercial Attache, American Embassy, Seoul.



New Zealand

Greater Diversification Supports U.S. Exports

Some deterioration of the New Zealand economy is expected during the final half of 1975, with little possibility of a marked turnabout before the end of the first quarter of 1976. However, adds Nancy Keely of the Bureau of International Commerce, U.S. exports to New Zealand may show a slight increase for 1975, possibly reaching about $455 million.

The international recession has placed a strain on New Zealand's external trade which, in turn, has made itself felt in the country's domestic economy. Large price increases for oil, accompanied by declining receipts for exports of New Zealand meat and dairy products, have eroded the country's terms of trade and retarded its economic growth. However, the impact from measures which all major Western countries are taking to stimulate demand may help strengthen the New Zealand economy in 1976.

Additionally, such factors as the easing of tight money conditions, rising company incomes, a 10 percent rise in wages and salaries forecast for the year ending March 1976, tax cuts, increased federal spending (NZ$3.8 billion for FY76, up 19 percent from FY75), the government's policy of full employment and furtherance of industrialization, will all help support a buoyant market for the kind of products which the country imports from the United States.

Inflation continues as a serious problem. The increase in the consumer price index reached an average of 12.6 percent for 1974, the highest in 25 years. A similar rate of increase has been forecast for 1975, but hopefully will decelerate by mid-1976. Gross national product for 1974 is estimated at $11.7 billion, an increase of about 4.8 percent in constant terms. Real growth may decline to about 2 percent for 1975.

For 1974, New Zealand's balance of trade recorded a deficit of almost $700 million (down from a surplus of $473 million for 1973). Some recovery in 1976 is expected in the country's terms of trade and its balance of payments.

The United States, New Zealand's fourth largest supplier, had a share of the country's imports amounting to 12.2 percent for FY74, (11.4 percent for FY73). Principal U.S. exports to New Zealand are aircraft and parts, internal combustion engines, textiles, chemicals, tobacco, motor vehicles and parts. New Zealand's attempt to reduce its great dependence on agricultural exports provides a potential market for many types of machinery and equipment incorporating systems employing the latest technological advancements. (Such diversification will also require strong long-term capital inflows from abroad). Additionally, the oil crisis should provide opportunities for U.S. exporters by enabling them to participate in developing alternate methods for generating electricity.

The U.S. Department of Commerce is sponsoring a general industrial exhibition in New Zealand during March 1976. U.S. exporters may wish to use the facilities of the U.S. Trade Center in Sydney, which also services the New Zealand market.

Pakistan

Mood Is Optimistic In Spite Of Problems

With the help of large-scale foreign assistance, Pakistan is weathering the current international recession better than expected. Trade prospects should improve in certain well-defined areas and it will behoove U.S. exporters to keep an eye on changing Pakistani priorities in order to benefit from projects currently in the planning stages, reports Andre Williams of the Bureau of International Commerce.

In the past year, oil-producing countries have announced aid to Pakistan in the form of grants, loans and equity investment of more than $1 billion. A high level of aid also continues from members of the Pakistan Consortium, which includes the United States.

The U.S. Agency for International Development is actively considering three large loans to Pakistan. One, involving a consortium consisting of U.S. Steel, the International Finance Corporation and the International Bank for Reconstruction and Development, totals $200 million for a complex of fertilizer projects. In addition, AID is involved in the financing of a malaria control program and a major agricultural project.

Agricultural commodities such as wheat, soybean oil and tallow will continue to lead U.S. exports, with an anticipated 400,000 tons of wheat being provided under PL480 credits. A significant portion of food imports will be secured on commercial terms.

In addition to AID funds, Pakistan also benefits from loans extended by the Asian Development Bank and IBRD. Specifically, ADB has announced a $47 million concessional loan to finance foreign exchange needs for four additional hydroelectric generating units at the Tarbela powerhouse.

In the last few months, the government has provided incentives for oil companies to continue on and offshore drilling in various parts of the country.

The areas of greatest export promise for U.S. manufacturers are clearly defined, i.e., they are tied to projects which are part of Pakistan's overall development program. Sales opportunities for the following appear most promising: electrical machinery, fertilizer projects, malaria eradication, natural gas pipeline systems, oil exploration machinery and port construction equipment. Consumer goods are subject to heavy import duties to discourage consumption and provide balance of payment relief.

The rate of inflation, which reached 25 percent in 1974, has slowed to around 20 percent, and GNP growth in constant prices remains at 6 percent yearly. The overall balance of trade deficit is manageable, thanks to OPEC assistance.

There is litle new investment by the private sector, but foreign investment, both in the private and public sectors, is showing signs of increasing substantially. Overall, the situation is far more encouraging than is the case among other developing nations.

Relations between Pakistan and its neighbors, especially India and Afghanistan, are better than in the past, and trade has been resumed, albeit on a moderate scale.

Philippines

Economy Doing Well In Face Of Pressures

Although challenges ahead remain formidable, the Philippine economy has good prospects for meeting its 5 percent growth target in 1975. The increase in imports from the United States will dip considerably from the unusual 60-plus percentage jump of 1974, perhaps to about 7 percent, but the leading competitors in the Philippine market, Japan and West Germany, will probably share this experience, reports John Walsh of the Bureau of International Commerce.

The Philippine economy has continued to perform surprisingly well during the past year in the face of severe pressures brought on by the oil crisis, worldwide inflation, falling export demand due to recession in major markets, and related effects on domestic activities.

Economic performance remains strongly linked with the fortunes of export products. Therefore, until the export picture brightens, the business recovery earlier anticipated to occur during the second half of this year remains in doubt.

The biggest hope in pushing the economy beyond a pedestrian rate of growth in 1975 now appears to rest not with the export sector, but with the internally-oriented sectors—primarily agriculture and construction. Also, with prices of practically all major export products dipping further down in recent months, the prospect of a sizable export-led growth even in 1976 is becoming less promising.

Philippine imports increased 96.9 percent in 1974 to $3,143 million (f.o.b.). Imports from the United States increased 62.6 percent, to $731 million (Philippine figures). As a result, however, of the increased cost of imported oil from Near East areas, the U.S. share of Philippine imports dropped from 28 to 23 percent.

Philippine exports in 1974 climbed to $2,725 million, up 48.3 percent, due largely to record prices for sugar exports offsetting to some extent substantial drops in export prices for timber, copper concentrates and coconut oil. Philippine exports to the United States were $1,100 million, or 42.4 percent of all Philippine exports. With Japan accounting for 34.8 percent, the United States again assumed the position of principal market for Philippine exports.

The potential for both U.S. investment and exports remains attractive. Recent good performance in U.S. sales to the Philippine marketplace reflects recovered competitiveness and growing requirements of the developing Philippine economy for the types of goods that American companies can supply.

Machinery other than electric predominates among U.S. export lines. Excellent potential lies in heavy-duty construction, earth-moving and mining, and hotel and restaurant equipment. Agricultural products continue to be significant U.S. exports, and the Philippines is likely to obtain most of its growing requirements for wheat, cotton and soybean meal from the United States.

The government's increased expenditures on infrastructure and private investments in construction, mining and industry will generate additional demand for capital equipment and raw materials. Also, U.S. exports of machinery and raw materials follow those U.S. companies which have discovered that increased sales and protection of a market may lie in licensing or manufacturing in the Philippines.

Singapore

Growth Is Impressive In View Of Conditions

U.S. exports to Singapore for 1975 are projected to total $1.186 billion, which would represent a 20 percent increase over the previous year. Actual U.S. exports to Singapore in 1974 were $988 million, a 44 percent increase over 1973. This outlook for U.S. exports to Singapore in 1975 is down somewhat from the much stronger growth of previous years, according to Joseph E. Payne, Jr., of the Bureau of International Commerce.

The major reason for the slower growth of U.S. exports to Singapore is a slowdown in Singapore's economic growth which has in turn been due to recessionary conditions in many of the developed countries of the world. Many of Singapore's key industries are export-oriented and very sensitive to world economic conditions. These industries traditionally provide a strong market for U.S. capital goods and a decline in their production reduces demand for these U.S. goods.

Nevertheless, Singapore's economic growth has continued to be impressive by world standards. Real GNP increased by 7 percent in 1974 and is expected to grow by 5-7 percent for 1975. While this is down from Singapore's average real growth of 10 percent for the past eight years, it gives Singapore one of the fastest growing economies in the world.

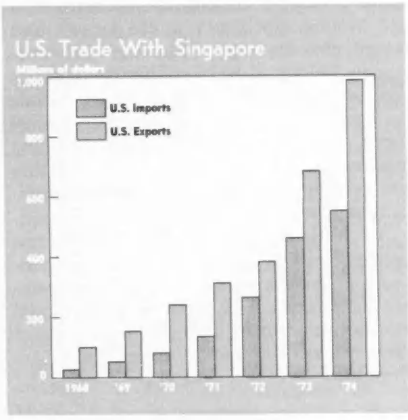
Other factors pointing toward continued modest growth of U.S. exports to Singapore are the country's balance of payments surplus, the price competitiveness of U.S. products, continued (though diminished) demand for capital goods, and appreciation of the Singapore dollar relative to the U.S. dollar. This appreciation means that a Singapore importer has to pay relatively less in Singapore dollars to purchase goods quoted in U.S. dollars. The exchange rate, U.S.$1.00=S$2.79 in 1972, is now approximately U.S.$1.00=S$2.20.

Sound payments position

The country's balance of payments showed a $295 million surplus for 1974 and total foreign exchange reserves reached $2.7 billion at the end of 1974, enough for four months imports. This basically sound balance of payments position should continue to permit higher levels of imports.

The U.S. share of Singapore's import market was 14 percent in 1974 based on Singapore import statistics. This share has remained relatively constant for two years, but is up significantly over the U.S. share of only 8 percent in 1969.

Singapore's Economic Development Board continues to emphasize capital intensive industrialization. As a result, the market for U.S. capital goods is expanding, with the exception of the textile, electronics and woodworking industries, which are temporarily depressed. Best U.S. export prospects are in building and construction, metalworking, pollution control, EDP, communications and health care equipment, and energy systems. The U.S. Regional Trade Center in Singapore will be promoting the sale of most of these U.S. products throughout the next year. The Trade Center uses a variety of techniques including exhibitions and technical seminars.



Thailand

Opportunities Remain Despite Uncertainties

In spite of the economic nationalism and political uncertainties which have received much recent publicity, Thailand offers attractive opportunities for U.S. sales. U.S. firms doing business in and with Thailand have continued to do well and are generally optimistic about the future. Markets in such areas as agribusiness, electronics, chemicals and hospital and medical equipment should continue to expand. In these and other areas, U.S. exports to Thailand are expected to increase in value substantially in 1975, according to Bruce Sever of the Bureau of International Commerce. Further, the Thai economy is basically healthy and has the potential to build on economic gains of the past.

Favorable factors

Factors contributing to the health of the economy and resulting growth of GNP include record foreign exchange reserves—equivalent to more than 6 months of 1974 imports, reduced inflationary pressures, and a governmental shift to expansionary monetary and fiscal policies.

In spite of the difficult world economic climate, Thailand's GNP was 3.4 percent higher in 1974 than in 1973. Comparable growth is anticipated during 1975, primarily due to the above factors.

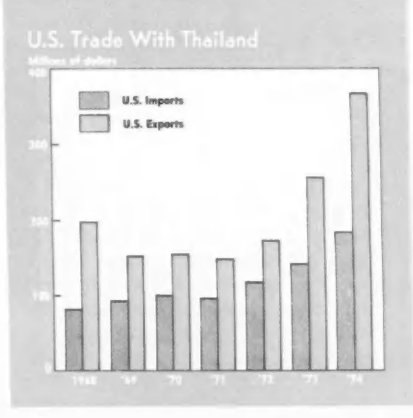
Thailand is an open economy which has depended on trade as a means of growth. The value of both imports and exports increased dramatically in 1974, 56 percent for exports and 50 percent for imports, although most of the rise was due to higher prices. The United States is Thailand's second largest trading partner both in imports and exports.

Future prospects encouraging

Thai imports from the United States are expected to reach $420 million during 1975, a 14 percent increase over 1974. The U.S. share of Thai imports may remain firm at a level of around 11 percent in 1975.

The slow-paced implementation of Thai economic development programs as well as a lack of investor confidence due to labor unrest, certain economic nationalism measures, and political events in surrounding countries of the Southeast Asia mainland, has limited somewhat U.S. export opportunities in certain areas. Nevertheless, expanding trade opportunities exist for machinery, equipment and parts related to food processing, agribusiness, motor vehicle services, consumer electronics, electronic data processing, audio and visual communications, medical care, chemicals and pharmaceuticals. Although there may be less room for American engineering and construction companies in the current nationalistic environment, the future market for construction equipment should be good. Industrial equipment of all kinds, as well as many raw materials, will continue to have a market.

To assist U.S. firms in expanding sales in Thailand, the Commercial Office of the U.S. Embassy in Bangkok contains excellent facilities for product displays, sales and technical seminars, and film or videotape cassette presentations. U.S. firms are urged to encourage local representatives to take advantage of the assistance available by planning, publicizing and staging promotional events in the Commercial Office.



Sub-Sahara Africa: Further Growth Seen For U.S. Sales

Major Projects Spur Need For Capital Goods

U.S. exports to Sub-Saharan Africa should reach about $3.2 billion in 1975, as demand remains high for U.S. equipment and products. This will represent a 30 to 35 percent increase over the $2.42 billion total for 1974, when U.S. sales rose by a remarkable 50 percent over the previous year. Part of this growth in dollar volume is attributable to world price inflation, Ralph S. Edwards of the Bureau of International Commerce reports.

The favorable outlook for expanded U.S. sales in Africa is due to three major factors: increased earnings by many African countries that are rich in energy and mineral resources; important progress on major industrial and infrastructure projects in Africa; and the scheduled elimination later this year of reverse tariff preferences which have been granted by many African countries to the former European colonial powers. The latter action will take place pursuant to the Lome Convention (see *Commerce Today*, March 31), and it should be an important aid to the competitiveness of U.S. products.

The largest markets for U.S. exports will be South Africa (aided by stabilized but still high gold prices) and Nigeria (booming with huge oil revenues). Opportunities are especially good for equipment related to such major projects as port development, coal gasification, and nuclear power in South Africa and road and railway construction, health and educational facilities, agricultural development, refinery expansion, and LNG and petrochemical plants in Nigeria.

Earnings of many other African countries have peaked due to a dropping-off in some commodity prices in the face of the world-wide recession (for example, copper in Zaire and Zambia), combined with the adverse impact of high oil import bills. Particularly in Zaire, near-term opportunities will be limited by that country's present foreign exchange difficulties.

U.S. firms will find capital equipment in heavy demand throughout the continent as African countries push ahead on major development projects. Construction and mining machinery is the largest and fastest growing item, reaching $193 million in 1974 and $115 million in January through April 1975. Other capital goods in high demand include iron and steel tubes and pipes, mechanical handling machinery, agricultural tractors, heating and cooling machinery, and telecommunications equipment.

As Africans expand their transportation networks, they are looking increasingly to American manufacturers to supply their needs. U.S. sales of aircraft and locomotives remain high and shipments of cars, trucks, and motor vehicle parts are climbing.

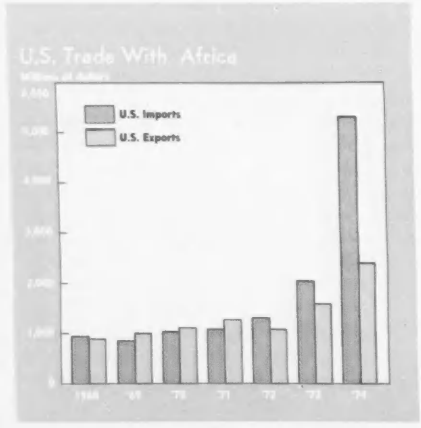
Farm products in demand

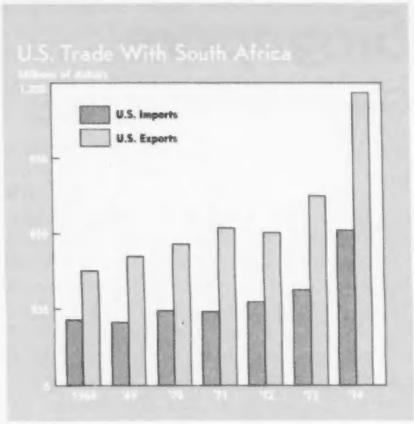
Strong demand continues for U.S. agricultural products—especially wheat—despite the easing of drought conditions in the Sahel region.

Good prospects continue for U.S. sales in a number of other country markets not covered by individual articles in the following pages. U.S. exports to Ghana rose to $77 million in 1974, as the country continued its remarkable recovery from balance-of-payments difficulties. Sales are strong in raw materials, timber and mineral industry equipment, and manufactures.

U.S. sales to Angola reached $62 million in 1974. Political and economic uncertainties tend to cloud the outlook in this Portuguese colony, which is scheduled to become independent in November 1975. But Angola has obvious potential in view of its abundant resources (especially petroleum, coffee, diamonds, and iron ore).

The Department of Commerce will assist U.S. exporters to Africa by sponsoring several trade promotion events in coming months. A trade mission on food processing and packaging equipment is planned for Morocco, Kenya, Zambia, and Swaziland in October. A trade mission on aviation electronics and ground support equipment is scheduled for Nigeria and Botswana in January 1976. A technical sales seminar on semi-arid land development is scheduled for Senegal, Nigeria, and the Sudan in February 1976.





South Africa

Economy Dips Slightly; Sales Prospects Good

The United States is expected to sell more than $1 billion of capital and consumer goods to South Africa again this year, according to Sally K. Miller of the Bureau of International Commerce. Export figures through May project a 1975 total of $1.25 billion.

U.S. exports to South Africa increased by 55 percent last year. The United States, with a 16.6 percent share of the total South African import market, remained the country's third largest supplier, close behind West Germany (18.9 percent) and the United Kingdom (16.8 percent). South African figures show the value of the country's imports through April to be up 36 percent to $2.7 billion, from $2.0 billion during the same period in 1974. The increase in import volume, however, is more modest..

No U.S. market share figures for 1975 are as yet available. U.S. statistics show that U.S. exports rose by 24.1 percent through April.

Growth rate slows

A slight slowing in the growth rate of the South African economy has occurred, beginning in the fourth quarter of 1974. Projections are that the 7.2 percent real GDP increase recorded in 1974 will decline to 4 percent this year. Most South African observers see an economic slowdown for South Africa in 1975, consistent with their belief that the South African economy follows the Western Europe/U.S. economic cycle by six to nine months. Indicators of slowing economic growth include lowered short-term interest rates, slackening consumer demand and a decline in fixed private investment. Favorable indicators include a free market gold price steadily in the $160-180 per ounce

range; increased production of non-gold minerals (chrome, coal, iron); a steady, strong inflow of foreign capital ($749 million in 1974 and a first quarter influx of $475 million); excellent crop forecasts; high sugar prices; and an expansionary government budget, up 18 percent from the previous year.

The South African Government on Jan. 1 increased the number of items which may enter the country without an import license and decreased the number of items under the most restrictive import controls. Quarterly import quotas have been reported to be sufficient to meet importers' demands. Increased levels of import protection have been granted to the textile and machine tool industries during the past six months. Further moves for protection could be expected from the plastics industry, which holds large inventories of high-priced inputs, and, within 18 months or so, from the expanding domestic fertilizer industry.

Nevertheless, increasing opportunities will be available to foreign suppliers from a variety of private and public projects. Heavy construction and mining equipment is continually in demand. That demand should increase as coal production rises and new minerals' finds in the northwest Cape are brought on stream. Mechanized building systems and technology should meet ready acceptance as skilled labor scarcity, due in part to South Africa's racially discriminatory system of *apartheid*, becomes more of a problem.

More construction planned

Upwards of $350 million is to be spent during the next 30 months by South African Railways and Harbours on containerized cargo facilities. Specialized rail terminals are planned for Johannesburg, Durban, Cape Town, and Port Elizabeth. Container berths and terminals are to be installed at Cape Town, Durban, and Port Elizabeth. Construction on the new La Mercy Airport outside Durban is to start this year. U.S. suppliers should be in a strong position to compete for equipment for SASOL Corporation's second, and larger, coal gasification and liquefaction plant. The $1 billion contract for SASOL II has been awarded to an American firm.

South African Government permission has been granted to a group of private businessmen to proceed with plans for a large ore landing terminal near Port Elizabeth at St. Croix. The government-owned Uranium Enrichment Corp. has announced plans to establish a subsidiary to produce commercially-enriched uranium. Additions are being planned to the Durban refinery, including catalytic cracking plant improvements as well as a complex to make gas-oil available in place of fuel oil. Development of strip-mineable coal fields and further metals exploration are also in South Africa's plans.

Nigeria

Boom Market Sparks U.S. Business Prospects

Nigeria is expected to import $500 million worth of goods direct from the United States during 1975, according to Rodney P. Rydlun of the Bureau of International Commerce. This would represent a 75 percent increase over 1974, and it would continue the healthy upward trend which is expected to persist in U.S. sales for the near term. Oil production cutbacks, however, are signaling a shortfall in projected revenues. The U.S. share of the market remains 10 percent. British, West German, and Japanese suppliers still sell more to Nigeria even though, since 1973, the U.S. has become Nigeria's best customer.

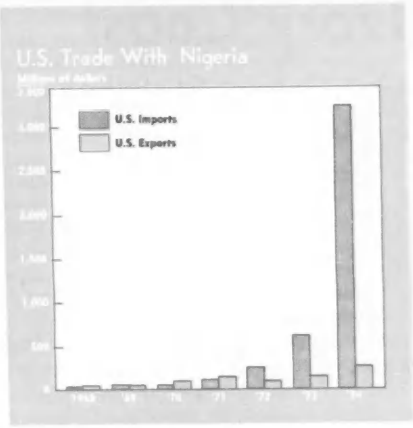
The economy has sustained an estimated 10 percent real growth rate in spite of record inflation. Wages have been increased across the board and more and more of Nigeria's oil revenues are percolating down into the pockets of Nigeria's 80 million people.

Nigeria, with a $23 billion GNP, expects to spend $10 billion for foreign products in 1975-76, according to the Third National Development Plan. Price is tending to be no longer the determining factor in Nigerian procurement. Higher quality items, with better durability and efficiency of delivery and service are becoming affordable.

A growing Nigerian preference for American goods and services is being felt. The floating exchange rate between Nigeria's relatively stronger niara in terms of the U.S. dollar will help U.S. suppliers even more. U.S. housewares, cutlery, hand tools, hardware, home appliances, and sport, boating, and marine supplies are being particularly well received in the Nigerian market.

Transfer of technology, however, is the greatest need under the Plan. The United States is considered by most observers to be the best yet least responsive source. At a recent Nigerian-American Chamber of Commerce function in New York City, it was pointed out that there were already 20,000 foreign-born residents in Nigeria. But 200,000 more professionals, managers, administrators, technicians and supervisors are essential to establish and run projects foreseen by the Third Plan.

Many of the pitfalls and complications of doing business only in oil and in the crowded capital city and Lagos State can be avoided by exploring the attractive opportunities for trade and investment in the other 11 states. Promising U.S. sales potential exists for construction capability and building materials and equipment, especially for roads, residential, hospital and educational facilities, telecommunications equipment systems and services, and food processing and production techniques and machinery.



The Federal Government of Nigeria has relaxed all restrictions on payment for imports. Payment at date of shipment on the basis of letters of credit became the rule effective from April 1975 and authorized commercial banks in Nigeria have since been allowed to keep working balances abroad to insure prompt payments for imports. However, U.S. exporters have been experiencing continuing administrative delays in the receipt of payments which indicates these new procedures have not yet been fully implemented.

The bottlenecks at Nigeria's ports of entry are forcing a re-evaluation of the Plan to accelerate improvements in sea and air port freight handling and facilities. In the meantime, the Federal Military Government is using troops, helicopters, streamlined customs clearances, and priority handling of cargoes destined for essential government projects, such as the Second World Black and African Festival of Arts and Culture (FESTAC 75), and Universal Primary Education (UPE). For these and other priority imports, demurrage is being absorbed by the Government of Nigeria.

Nigeria seeks and welcomes foreign investments. The Nigerian Enterprises Promotion (indigenization) Decree requires that existing and proposed alien business enterprises accommodate local participation. U.S. investment proposals would be particularly welcome in such areas as hog raising, ceramics, pipe manufacture, river transport, small tools manufacture, chipboard, basic electronics, clothing, paper, and plastics.

U.S. Commerce Department-sponsored trade promotions tentatively scheduled for 1976 include aviation, electronics, and ground support equipment in January, semi-arid land development in February, computer-related business equipment in April, and telecommunications systems in May. These are planned to take advantage of exceptional U.S. sales opportunities that market research has indicated.

Ivory Coast

Continued Stability Expands Markets

U.S. exports to the Republic of the Ivory Coast are expected to reach $60 million this year, up 22 percent from 1974 but still below the peak year of 1973, according to Rodney P. Rydlun of the Bureau of International Commerce. Continued economic expansion (13 percent growth rate in 1974) and rising per capita income are expected to create new and expanded markets for U.S. exports. The devaluation of the dollar and the possible elimination of reverse preferences granted to EEC countries should make U.S. exports more competitive and give American products the fillip needed to enter this French-dominated market.

The Ivory Coast is moving ahead on several major projects which offer potential to U.S. suppliers of heavy equipment and machinery: a $125 million hydroelectric dam at Taabo, a series of sugar complexes, an iron ore complex near Man, the Man-San Pedro railroad, and expansion of the Abidjan and San Pedro ports.

Although the Ivory Coast is attempting to broaden its economic base, its economic performance in 1975 will depend to a great extent on the world price for its major exports: coffee, cocoa and timber. Together they account for 76 percent of foreign exchange earnings. The Ivory Coast is also anxious to lessen its dependence on the European market, France in particular, and is very receptive to U.S. business proposals.

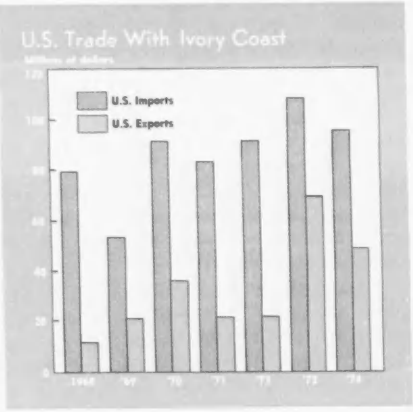
Liberal investment code

The Ivory Coast has a liberal investment code and actively encourages U.S. investment. At present, though second only to France in value, U.S. investment amounts to only $30 million. Investment opportunities exist in several sectors: agriculture, mining, tourism, communications, transportation and power generation. In particular, the $1 billion development of the Mt. Klahoyo iron ore deposit will offer opportunities in everything from ore body definition services to hospital construction.

The Ivory Coast, with the largest GDP ($3.7 billion) in French-speaking west Africa, offers a small but growing market to U.S. business. Its geographic location and excellent port make it well suited for a regional marketing effort. Continued cordial relations with the United States and a stable political and business climate in Ivory Coast provide a sound base from which U.S. firms may operate in this market.

Opportunities for greater U.S. sales and services to Ivory Coast's growing tourism and industry sectors appear promising. The World Bank recently approved almost $10 million to help finance construction of about 1,200 hotel rooms needed for an estimated 157,000 international, mostly business, visitors annually by 1980. The Chamber of Industry has recorded a 7 percent increase, from 414 to 442, in manufacturers in the country for 1975. Food processing, wood working, chemicals, and textiles are showing the strongest growing pains.

In recognition of the attractive Ivorian market potential, the Department of Commerce has tentatively scheduled for April 1976 a computer-related business equipment technical sales seminar in Abidjan.



Kenya

Price Chief Factor In '75 U.S. Export Gain

U.S. exports to Kenya should reach $55 million by the end of 1975. The projected 14 percent increase means that price and not volume will be the principal propelling factor.

This year will be the second in a row in which the volume of U.S. trade has remained stagnant, notes Sally K. Miller of the Bureau of International Commerce. The United States will not regain its rank as Kenya's fourth largest supplier. Both Iran and Saudi Arabia last year moved ahead of the U.S. as a result of quadrupled petroleum prices. Our market share fell—based on Kenyan statistics—from 7.7 percent in 1973 to 5.7 percent in 1974.

Kenya imposed stricter import licensing provisions in the last half of 1974. Even such agricultural necessities as tractors and fertilizers were placed under controls. The need to stem the import trade became crucial by the end of the year when imports were double exports and the trade gap amounted to nearly a half billion dollars. Imports surged to $1.025 billion and exports totaled $611 million.

Efforts to correct the situation have included Kenyan purchases of 12 million Special Drawing Rights (the equivalent of approximately $15 million) from the IMF, a $30 million World Bank loan, more stringent exchange controls for remittances, import license surcharges, and 180-day delays in import payments. Tariffs have been raised on a variety of imported consumer goods; the most severely affected are automobiles with engines larger than 2250 cc., which now face a 150 percent duty.

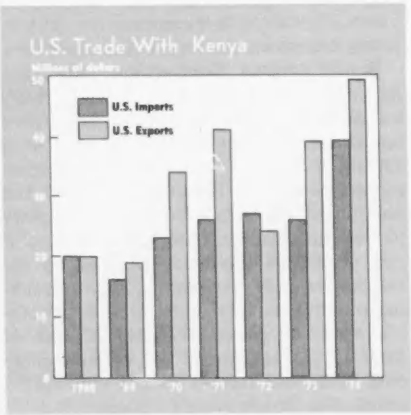
The Kenyan economy as a whole slowed perceptibly last year. The GDP grew by no more than 5 percent, down from 6.5 percent during each of the preceding two years. In constant 1964 dollars, its value equaled $1,724 million.

The outlook for this year is less bright. The agricultural commodities which commanded high prices in 1974—coffee, cotton, sisal—have this year experienced declines in price and demand. Tourism, Kenya's second largest exchange earner, also is off. A number of World Bank loans have been approved recently for Kenya. Projects include the Gitaru hydroelectric project on the Tana river ($63 million, the Mombasa-Nairobi oil pipeline ($20 million), and $10 million to the Industrial Development Bank.

The Kenyan Tea Development Authority is seeking bids by Sept. 18 on two tea factories. Each is to have a capacity of 1,200 metric tons of manufactured tea per year.

These projects, plus the renewed Kenyan emphasis on agricultural production, provide opportunities for U.S. suppliers of construction, agricultural and transportation equipment. In addition, providing funding can be made available, Kenya should be in the market for railroad and aircraft equipment as the strains on the tricountry East African Community's transportation corporations increase.

American business continues to view the Kenyan situation favorably. Two sizable U.S. investments have been made this year, in fertilizer and truck assembly. Sales opportunities should develop to supply the needed capital equipment.



Sudan

U.S. Gets Bigger Share Of Soaring Import Bill

U.S. exports to the Sudan are expected to reach $90 million in 1975, according to Mary L. Manley of the Bureau of International Commerce.

This would represent another spectacular increase following the 93 percent rise in value to $64 million recorded in 1974. The Sudan's total import bill soared 62 percent to $519.3 million in 1974 from $319.8 million in 1973. Nonrecurring purchases of commercial aircraft as well as world inflation accounted for a large share of the increased value of imports. This rising trend has continued in 1975, with imports of crude oil alone likely to treble in value to about $68 million from $22 million in 1974.

GDP (at current factor cost) is estimated to have increased by 5 percent to $1.7 billion in 1974 from $1.6 billion in 1973. Per capita income increased 3 percent to $103.3 in 1974 from $100.7 in 1973. The country faced severe inflationary pressures in 1974. The consumer price index was up 25 percent in the year ending October 1974. Excessive growth in the money supply has stemmed mainly from large budgetary deficits and the effects of world inflation, notably the price of sugar. In 1974 the Sudan imported 165,000 metric tons of sugar valued at $100 million, or 20 percent of imports.

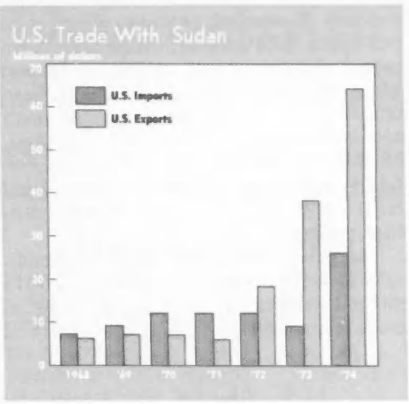
With the decline in demand for cotton, the country's leading export, the Sudan incurred a $250 million balance of trade deficit in 1974. Massive inflows of capital from Arab donors, the IMF and investors have made development spending at a high level possible.

Business climate improves

Having opted for a mixed economy, the Sudanese Government has returned many businesses nationalized in 1970-71 to private ownership and has settled compensation claims. As a consequence, the business environment has greatly improved and private capital, both domestic and foreign, is coming into the economy.

Cotton, traditionally the leading Sudanese cash export, is being deemphasized in favor of sugar, oilseeds, wheat, and livestock. Major development schemes for mixed farming and specific crops are under way.

Best prospects for U.S. exporters will be machinery and equipment for agriculture, food processing, textiles, transportation and construction. A need for heavy-duty earthmoving equipment stems from Sudanese plans to expand the country's road network. Although competition



from European suppliers, particularly in the United Kingdom, is strong, U.S. suppliers can more than hold their own by offering superior equipment and by selling through a local agent or distributor who stocks spare parts and is able to provide for servicing of the equipment sold.

Prospects are also good for sales of U.S. power machinery and equipment to the IDA-financed $40 million Sudan Second Power Project in FY 1974-79. The electricity program also consists of 17 MW diesel units in isolated towns, electrification of the $250 million Rahad Irrigation Project and distribution schemes in a number of areas.

Zaire

Medium-Term U.S. Sales Opportunities

U.S. exports to Zaire are expected to remain in 1975 at the 1974 level of $145 million, according to Bruce Sever of the Bureau of International Commerce. In the months ahead, U.S. export opportunities in Zaire may be significantly limited to some high priority product categories related to ongoing major Zairian public and private development projects.

Net foreign assets were near zero in March compared to $286 million in mid-1974. One cause was a decline in world copper prices and the likely adverse effect of reducing Zaire's foreign exchange earnings in 1975 by one-fifth from those of 1974.

At the same time, the cost of imports—especially oil—has increased drastically. This and the deficit budgets of the Zairian government—$414 million and equivalent to 40 percent of public revenue in 1974—are fueling domestic inflation and weakening the international strength of the Zairian currency.

Measures undoubtedly aimed in part at husbanding limited foreign exchange, have been announced—and in varying degrees implemented—by the government. Depending on how they will be administered, these measures might have an adverse impact on imports and the efficiency of the Zairian economy. Most imports are presently subject to special licenses, which are issued sparingly. Also, the Bank of Zaire has recently announced that only five companies would be allowed to import pharmaceuticals and five to import food.

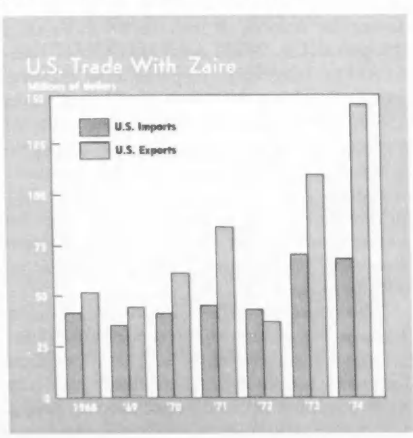
Best sales prospects

Under present circumstances, best prospects for U.S. export sales in Zaire may be found in product areas pertaining to ongoing high priority projects for which financing has already been arranged. These include the Gercamines copper mines expansion, the new copper mine of Societe Miniere du Tenke-Fungurume, and other projects related to the government's goal of increasing copper production from 500,000 to 800,000 metric tons per year and increasing Zaire's ability to earn much needed foreign exchange.

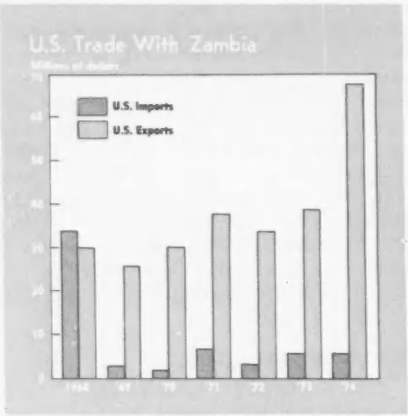
U.S. exports to Zaire in 1975 may be unchanged from the level in 1974, when they totaled $145 million. They may again represent approximately 15 percent of the total Zairian imports.

Planned official U.S. Government export promotion events in Zaire include: modern telecommunications systems and equipment technical sales seminar, May 1976; materials handling equipment trade mission, March 1976, and metal working and finishing equipment catalog exhibition, September 1976.

The above import controls and others recently imposed on construction activities, marketing of petroleum, importation of pharmaceuticals and foods are believed by Zairian officials to redress mistakes made since Zairianization of the economy was initiated in 1973. It remains to be seen whether the added Zairian controls on the economy stimulate and strengthen orderly growth of trade and business.



☆ U.S. Government Printing Office: 1975, 210-923/2



Zambia

Lower Copper Prices Limit U.S. Sales Growth

Exports from the United States to Zambia probably will not exceed $75 million in 1975, reports Sally K. Miller of the Bureau of International Commerce. That 10 percent increase over last year could be lower if Zambia effectively applies import controls in the latter half of this year. The dampened outlook for U.S. sales stems from the depressed copper market of the past 12 months. U.S. exports for the first third of 1975 do not as yet reflect that trend; rather, the 83 percent increase registered for that period reflects large, one-time purchases of trucks and truck trailers, railroad equipment, and construction and mining equipment.

Mining continued to generate over a third of the country's GDP; its share of government revenues is nearly half. Copper's depressed price, consequently, has reduced government revenues, and reserves are nearing a dangerously low level. Foreign exchange rates fluctuated by more than $400 million during the year and December closed with reserves of $74 million on hand. All import licenses were recalled in January for review before reissuance. The government is seeking to lower the volume of imports by more than 15 percent in 1975; a target of $800 million has been set. Imports rose according to Zambian estimates by 46 percent in 1974. The surge was the consequence of the greatly loosened import licensing program and the release of pent up domestic demand from the previous (1971-72) period of stringency. U.S. figures show an export increase in 1974 of 74.8 percent over 1973 shipments ($67.8 million vs. $38.3 million).

The country's GDP in constant kwacha (to remove effects of exchange rate fluctuations) is estimated at K1,115.6 million for 1974 (about $1,562 million, up from $1,545 million in '73). Population increases turned the 1 percent GDP growth into a nearly 2 percent negative effect upon per capita GDP. Swiftly rising costs have halved the amount of capital equipment added to the mines; outlays have been limited largely to replacement machinery and maintenance of current operations. Zambia has, however, been quite successful in generating receipts of loan capital for a variety of infrastructure and industrial projects.

The government's 1975 capital expenditure budget in January was set at $375 million. Projects in the planning stage include expansions of the hydro plants at both Kariba and Kafue; an iron and steel mill near Solwezi; new mining operations in Northwestern province; and consideration of new rail connections to Malawi at Chipata and a wholly Zambian link to the Benquela Railway in Angola.

In the past month the Zambian Government announced the nationalization of all land, as well as of all press and cinemas. The large scale expatriate farming sector which in January had been given sizable production and exchange incentives has been reduced to 100-year leaseholds and has lost all unworked farm land.

U.S. Share Of Imports Into Selected Countries

Area and country	1973 Imports			January 1974 Imports			
	From world (million	From U.S. dollars)	U.S. share %	Latest month	From world (million	From U.S. dollars)	U.S. share %
WESTERN HEMISPHERE							
Barbados	169	35	20.9	Dec.	204	40	19.5
Bermuda	123	55	45.0	(1)	(1)	(1)	(1)
Guadeloupe	202	9	4.4	June	113	5	4.2
Guyana	165	43	25.8	July	143	37	25.6
Martinique	244	11	4.3	June	134	6	4.5
Paraguay	122	20	16.6	Dec.	174	17	10.0
Uruguay	298	31	10.5	Aug.	285	23	8.2
WESTERN EUROPE							
Cyprus	446	29	6.5	Dec.	408	26	6.3
Iceland	355	26	7.4	Dec.	535	42	7.9
Ireland	2,793	192	6.9	Dec.	3,807	247	6.5
Malta	240	14	6.0	Dec.	361	21	5.9
NEAR EAST-NORTH AFRICA							
Jordan	334	35	10.4	Dec.	482	55	11.3
Libya	1,803	96	5.3	Mar.	497	18	3.6
Syria	593	22	3.7	Sept.	812	20	2.5
FAR EAST-SOUTH ASIA							
Bangladesh	872	186	21.4	Dec.	1,096	221	20.2
Fiji	205	10	4.7	Mar.	55	2	3.6
Laos	57	[2]4	[2]7.6	(1)	(1)	(1)	(1)
New Caledonia	220	8	3.8	July	147	4	2.9
Sabah	287	29	10.0	Nov.	451	50	11.0
Sri Lanka	422	38	9.0	Dec.	681	22	3.2
Viet-Nam, Rep. of	656	304	46.4	Dec.	907	492	54.2
West Malaysia	2,083	171	8.2	Dec.	3,486	328	9.4
OTHER AFRICA							
Angola	540	51	9.5	July	354	39	11.0
Cameroon	336	30	9.0	Dec.	436	27	6.2
Chad	82	3	4.0	Mar.	18	(1)	(1)
Ethiopia	215	18	8.5	Dec.	277	16	5.6
Gabon	167	14	8.4	Dec.	360	(1)	(1)
Ghana	450	70	15.5	Feb.	129	13	10.0
Liberia	194	54	27.8	Dec.	288	(1)	(1)
Malagasy Republic	204	15	7.5	Apr.	76	11	15.2
Malawi	143	3	2.3	Dec.	187	6	3.1
Mauritius	171	5	2.8	Dec.	309	16	5.0
Mozambique	464	23	4.9	Apr.	162	10	6.2
Niger	69	5	7.8	(1)	(1)	(1)	(1)
Reunion	286	7	2.6	June	160	2	1.3
Senegal	360	27	7.5	Aug.	292	19	6.5
Sierra Leone	158	14	8.8	Dec.	224	20	9.0
Somalia	110	[2]2	[2]1.5	June	61	(1)	(1)
Tanzania	480	14	2.9	Dec.	814	55	6.8
Togo	101	4	4.4	Sept.	82	4	4.5
Uganda	156	3	2.0	Dec.	218	6	2.8
Upper Volta	79	3	3.3	(1)	(1)	(1)	(1)

Note: The selected countries are those whose total imports are valued at $50 million or more in 1973, and are not covered in the country articles in this issue. In order to present comparable statistics for all countries, import data have been adjusted from an f.o.b. to a c.i.f. valuation for Paraguayan imports from the United States.

[1] Not available. [2] Estimated from partial year data.

Sources: Official trade statistics of listed countries.
International Monetary Fund, *International Financial Statistics*.

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